THE LEWIN GROUP

ESTIMATES OF THE INCOME AND WEALTH OF THE ELDERLY USING THE PANEL STUDY OF INCOME DYNAMICS AND THE SURVEY OF CONSUMER FINANCES AND THEIR IMPLICATIONS FOR LONG-TERM CARE

FINAL REPORT

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EXECUTIVE SUMMARY

The Health Care Financing Administration (HCFA) contracted with Lewin-VHI for a two part study of the income and wealth of the elderly. The first part of this study consisted of a detailed review of the literature.[1] As part of this review, we determined several of the gaps in the current empirical literature investigating the income and wealth of the elderly. To help fill some of these gaps, the second part of this study used two recent data sources, the 1983 to 1992 Survey of Consumer Finances, and the 1983 to 1991 Panel Study of Income Dynamics (PSID) to provide updated estimates of the income and wealth of the elderly. This paper describes the results of the second part of this study.

Below, we briefly review our principal findings from the three chapters in the second part of our study. In Chapter One, we summarize the major points of our previous literature review. In Chapter Two, we discuss our detailed empirical estimates of elderly income and wealth measures. Finally, in Chapter Three we report the findings of a simulation model that uses data from the PSID to estimate changes in elderly wealth through time.

Chapter One: Overview of the Literature on the Economic Status of the Elderly

A. The Empirical Literature

Before proceeding with any discussion of empirical estimates of the economic status of the elderly (persons or households headed by someone age 65 and over), it is important to define what one means by "economic status." There are three issues worth noting:

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[1] Kevin A. Coleman and Timothy M. Dall, *Synthesis of the Income and Wealth of the Elderly: Implications for Long Term Care*, submitted to the Health Care Financing Administration, by Lewin-VHI, June 20, 1995.

- **what variables are used to measure economic welfare** -- economists usually equate economic welfare with consumption. Unfortunately, consumption data are sparse, leading researchers to use income and wealth as proxies for consumption.

- **the frame of reference** -- the economic status of one group (here, the elderly) can be compared to the economic status of other groups at the same point in time (e.g., the non-elderly) or by comparing the same group at several points in time (perhaps comparing the current elderly before and after they retire).

- **how to measure these variables** -- different studies may use means, medians, or other measures of central tendency, while others may use income and wealth measures to define other concepts, such as measures of risk (i.e., how stable is the current economic status of the elderly).

Most empirical studies conclude that *on average*, the elderly's economic status (i.e., their income and wealth) is high compared to other age groups, previous elderly cohorts, or to the current elderly's status at some point in the past. Generally, studies consistently find that the elderly have lower incomes than the non-elderly or than the elderly themselves had prior to retirement, but it is important to put such comparisons into perspective. The elderly often need to consume less than the non-elderly to maintain their standard of living -- the elderly usually no longer face the expenses associated with working or raising children. In addition, the elderly usually have much higher levels of assets than do the non-elderly, which also aids the elderly in maintaining their living standards beyond their contribution to measured income.

These broad comparisons often mask important economic risks faced by some elderly groups. Higher fractions of the elderly than the non-elderly live in poverty, and elderly poverty is especially prevalent among elderly single women, the elderly age 85 and above, and black elderly Americans. In addition, the elderly face economic risks that are not commonly faced by other groups. For example, the elderly face substantial risks of incurring catastrophic medical expenses, especially those associated with long stays in institutional settings (i.e., in nursing homes).

B. The Theoretical Literature

In addition to the empirical literature documenting the economic status of the elderly, there is an extensive theoretical literature that attempts to explain current patterns of saving, consumption, and wealth of the elderly. There are three primary models explaining the current wealth of the elderly. *Life cycle* models assume the elderly hold wealth to increase the level of consumption they can maintain. The life cycle model implies individuals want to smooth the level of their consumption through time to maintain a constant standard of living. Individuals smooth their consumption through time by saving before retirement when their incomes are highest, and then spending down these savings during retirement to help maintain their standards of living. Current empirical tests of the life cycle model are at best mixed. Studies using data from a single period (cross section studies) tend to contradict the life cycle model, while studies following individuals through time (longitudinal studies) occasionally support the life cycle model.

The evidence against the life cycle model is not that individuals fail to save prior to their retirement, but that these individuals may not be using their savings to maintain their consumption after they have retired. The other two models of elderly savings provide reasons why the elderly may decide not to consume their savings. First, *precautionary models* recognize that the elderly face risks that may affect their current consumption. For example, the elderly may not spend their savings as rapidly as a simple life cycle model predicts because they are uncertain how long they will live or because they may incur some unexpected expense (such as catastrophic medical expenses or long-term care expenses) in the future. Second, *bequest motive models* assume that the elderly may not consume their savings because they wish to leave their children and other heirs bequests. As with the life cycle model, the empirical evidence supporting or refuting both precautionary and bequest motive models is mixed.

Chapter Two: Estimates of Income and Assets of the Elderly

Many of the estimates we discuss in Chapter One and in our earlier, more extensive review of the literature are out-dated. In addition, many of these estimates use data from a single point in time, rather than data sets that follow the same individuals through time. For these reasons, we produced a series of new estimates of elderly income and wealth measures using two recent data sets that follow individuals through time -- the Panel Study of Income Dynamics (PSID) and the Survey of Consumer Finances (SCF).

A. Income

Our research indicates that the elderly and near-elderly age, their incomes decline. From 1983 to 1989, the median household incomes of those persons who were age 55 and over in 1983 declined by 24 percent (the PSID). These overall declines, however, mask important differences for different income groups. During these six years, the incomes of those with the lowest initial incomes in 1983 (under $10,000 in 1994 dollars in 1983) tended to remain unchanged or increase, while most (59 to 65 percent) of those with the highest incomes in 1983 (over $30,000) experienced a decline in their incomes of 10 percent or more by 1989.

Our cross-sectional estimates of income for different groups for the SCF and PSID agreed closely with those of other researchers. For example, median household income for those age 75 and above in 1989 (PSID), was $11,500, much less than median incomes of those age 65 to 74 ($17,500) or those age 55 to 64 ($29,900). In addition, elderly married couples had median incomes that were 2.5 times as large as those of the single elderly, and elderly black households had median incomes that were approximately half that of elderly nonblack households.

B. Wealth and Assets

The longitudinal estimates of wealth and assets for both the PSID and SCF were generally consistent with the life cycle theory. For example, as the life cycle theory predicts, the assets of the non-elderly increased over time, while those of the elderly decreased as the elderly used their assets to maintain higher levels of consumption. In particular, the median assets of those age 35 to 44, 45 to 54, and 55 to 64 in 1983 (PSID) increased by 15 to 24 percent by 1989, while the median asset levels decreased for those age 65 to 74 (2.2 percent) and 75 to 84 (4.7 percent) during the same period. While this is mild evidence supporting the life cycle theory, the relative small changes in median total net asset levels is also consistent with other models of elderly consumption and saving.

There was also a striking correlation between income and assets in both the SCF and the PSID. Families with higher household incomes had much greater median total net asset holdings. For example, the median total net assets of elderly households with incomes of $50,000 were 20 to 40 times greater than those of elderly households with incomes of less than $10,000. Finally, elderly households had much higher median total net assets than non-elderly households (households with heads age 35 to 64), after controlling for household income. This may also reflect life cycle savings patterns -- i.e., elderly families have had time to save and accumulate their assets.

C. The Affordability of Long-Term Care

The detailed income and asset data in both the PSID and SCF permit one to estimate the fraction of elderly individuals who can afford to make large expenditures out of their current economic resources. For example, it is possible to estimate the fraction of elderly who can afford to purchase long-term care insurance or pay for a one year stay in a nursing home. In particular, we estimated the fraction of elderly households with assets above given levels ($10,000 and higher) who can afford a long-term care insurance policy that costs $1,500 to $2,500. By afford, we mean the household would spend up to five percent of its income on a long-term care insurance policy. We estimated that less than 15 percent of elderly households in 1983 and 1989 could afford such policies; these percentages would increase if we assumed elderly households could devote more than five percent of their current income to purchase a long-term care policy.

Chapter Three: Simulation Results

In this chapter, we report the results of a simulation model we specified that predicts changes in elderly assets using data from the PSID. We used PSID data from 1983 to 1989 instead of SCF data because of problems with tracking a sufficiently large sample of individuals over a long period. This model is a version of a life cycle consumption model that incorporates a precautionary motive for saving.

After specifying our model, we identified the model parameters that were best able to predict changes in non-housing asset income from 1983 to 1989. By "best," we mean we chose the parameters that minimize the mean square difference between the predicted (by the model) and actual level of non-housing assets for all individuals in 1989. This model as well as several other models we tested, however, consistently over-estimated both mean non-housing assets in 1989 as well as the fraction of elderly individuals with assets in excess of various threshold levels (i.e., $10,000 through $200,000).

Our modeling efforts convinced us of the considerable underlying heterogeneity in the savings and consumption behavior of the elderly. That is, no single model could forecast the changes in elderly assets from 1983 to 1989, because the elderly had such differing attitudes regarding personal consumption and savings choices. We expect that to forecast changes in elderly assets, and then to predict the assets of future elderly cohorts accurately, would require a much broader research effort.

This future research could include: (1) incorporating a "target" savings motive; (2) including decedents; (3) allowing the consumption and savings decisions of married couples to differ from those of the single elderly; (4) allowing key model parameters to vary across different households and/or through time; and (5) including the non-elderly directly in the model.

CHAPTER ONE
OVERVIEW OF THE LITERATURE ON THE ECONOMIC STATUS OF THE ELDERLY

I. Overview

In a previous companion piece (Coleman and Dall, 1995), we presented a detailed synthesis of the literature on the income and wealth of the elderly and discussed the implications of these findings for long-term care. In this chapter we discuss some of the key findings of our synthesis of the literature, paying particular attention to competing theories that strive to explain elderly savings and consumption behavior. The review in this chapter will provide a context for our empirical findings presented in the next chapter.

II. The Current Economic Status of the Elderly

A. How is the Current Economic Status of the Elderly Measured?

When assessing the economic status of any particular group, researchers first must answer the following two questions:

- what measures of economic status should be used; and
- what frame of reference should be used to evaluate the measures of economic status selected.

In theory, the best measure of economic status is consumption, because consumption measures the economic resources used by an individual or group. Unfortunately, consumption is both difficult and expensive to measure. As a proxy for consumption, many studies use income. Its high correlation with consumption makes income a useful measure of economic status for most groups. For the elderly, income and consumption may not be as closely correlated. To support a higher level of consumption, the elderly often augment their incomes by consuming their stock of wealth. For this reason, studies of the economic status of the elderly tend to use both income and wealth measures.

Income and wealth measures have little meaning except when they are compared to some frame of reference. Researchers use many different frames of reference when analyzing elderly income and wealth data. Some researchers compare the income and wealth of the elderly to the non-elderly, providing one measure of the relative economic status of the elderly. Other researchers compare the income and wealth of a given elderly cohort with the income and wealth of that same cohort from some previous period. For example, researchers may estimate replacement rates -- i.e., the ratio of the income of an elderly individual or family unit to some measure of that individual's or family unit's pre-retirement income. Another comparison is across elderly cohorts -- i.e., are elderly income and wealth higher now than they were for some previous elderly generation? Finally, some researchers compare how the economic status of the elderly changes through time -- e.g., what is the probability that an elderly individual will experience at least one spell in poverty?

The types of comparisons made also vary across studies. Some studies concentrate on comparing measures of central tendency -- i.e., mean and median income and wealth measures. This focus often obscures important distributional issues. For this reason, other studies make broader comparisons of the distribution of income and wealth both across and within groups. For example, while the mean income of the elderly and non-elderly may be quite similar, the percentage of elderly living below or just above the poverty line may be much higher than that of the non-elderly.

A related issue is the economic risks faced by different groups. While the elderly may have relatively high levels of income and wealth, they may be reluctant to use these resources to support consumption over the near term, because they face considerable risks, including uncertain life expectancies and the risk of incurring catastrophic medical expenses.

B. Current Measures of Elderly Economic Status

On average, the current elderly are well-off relative to the non-elderly. This is particularly true after factoring in the effects of taxation and the receipt of in-kind benefits from entitlement programs. The elderly tend to pay lower taxes than the non-elderly, both because most of the elderly are retired and no longer pay payroll taxes, and because much of their income (particularly Social Security benefits) is subject to little or no taxation. The elderly also tend to receive greater benefits from in-kind transfer programs, such as Medicare and Medicaid, subsidized housing, and food and nutrition programs. One study (Radner, 1992) estimates that in 1990 the ratio of the income of the elderly to the non elderly was 65 percent, and increased to 82 percent after factoring in the effects of taxes and in-kind transfer programs.

Except when certain types of medical expenses must be paid, the elderly on average require less income than the non-elderly to maintain the same standard of living. In addition to often living rent-free in owner-occupied housing, most elderly: (1) no longer have the expenses of working (e.g., their clothing and transportation expenses are lower); (2) do not face the expenses of raising children (e.g., providing food and shelter, and paying for their education; and (3) have accumulated a stock of durable assets (e.g., vehicles, appliances, etc.) which younger households are still in the process of purchasing.[1] On the other hand, they are vulnerable to the high out-of-pocket costs of both acute and long-term care expenses.

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[1] The argument is often made that the elderly face substantial risks from inflation, since their incomes are "fixed". In fact, the major income source of the elderly, Social Security, is fully indexed against inflation. Two other income sources, the imputed income stream from home equity and asset income, are also largely protected from inflation risk. Home equity is a real

Other studies indicate that the income of the current elderly is quite high relative to their pre-retirement incomes -- i.e., the elderly have high replacement ratios. Fox (1982) finds that in the 1970s retired individuals had incomes that were on average 50 to 60 percent of earnings prior to retirement.[2] Boskin and Shoven (1987) net out the expenses of raising children and include the value of non-cash retirement benefits, and thus estimate higher replacement rates--in the 150 to 170 percent range on average.

In addition to their relatively large home equity holdings, many elderly have sizable amounts of various financial assets. In fact, on average, the elderly tend to have larger amounts of financial wealth than the non-elderly. Radner (1989) estimates that median elderly household assets were 83 percent higher than the median level for all ages in 1984, and were just 18 percent lower than the median level for the wealthiest age group (age 55 to 64).

C. There is Considerable Diversity in the Incomes and Wealth of the Elderly

An "on average" appraisal of the economic status of the elderly can be misleading because it obscures the considerable diversity in the income and wealth of the elderly. The incomes of different elderly individuals vary quite widely and have varied for some time (Table 1-1). For example, the mean income of the elderly in the fifth (highest) elderly income quintile was 10.9 times ($37,483/$3,436) that of the first (lowest) income quintile in 1992. In addition, the ratio of the median incomes of the fifth to the first income quintiles ($28,527/$4,020 = 7.1) of the elderly in 1992 was also quite large.

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asset, and real assets are a traditional inflation hedge. Most elderly do not hold their financial wealth in long-term bonds, which are most susceptible to inflation risk.

[2] Fox uses the ten years of earnings prior to retirement as his base; the four middle earnings years are averaged to determine pre-retirement earnings.

Table 1-1
The Income of the Elderly (Persons Age 65 and Older) Varies Widely
(All Values in 1992 Dollars)

	Mean and Median Income Quintiles					
	Total	**1st (lowest)**	**2nd**	**3rd**	**4th**	**5th (highest)**
Mean Income by Quintile						
1974	$12,239	$1,857	$5,549	$8,252	$12,950	$32,417
1979	12,673	3,102	5,984	8,764	13,458	31,524
1984	14,347	3,520	6,529	9,672	15,295	36,204
1989	15,942	3,678	7,091	10,744	16,918	41,099
1992	14,899	3,436	6,730	10,183	15,712	37,483
Median Income by Quintile						
1974	$8,674	$3,159	$5,576	$8,203	$12,806	$24,958
1979	8,795	3,620	5,933	8,678	13,296	24,705
1984	9,659	3,971	6,520	9,550	15,107	28,248
1989	10,765	4,222	7,085	10,657	16,689	32,226
1992	10,200	4,020	6,684	10,085	15,473	28,527

Source: Employee Benefit Research Institute (1994) tabulations of the March Current Population Surveys (1975, 1980, 1985, 1990, 1993).

One study (Eargle, 1990) used the 1989 Survey of Income and Program Participation (SIPP) to cross-tabulate two measures of household wealth: net worth and net worth excluding home equity by income quintile in 1988 (Table 1-2). The income quintiles were defined across all age groups. These tabulations reveal that the elderly were disproportionately represented in the lowest income quintiles; 37 percent of all elderly were in the lowest income quintile, while only 8 percent were in the highest income quintile. There was a high correlation between income and wealth for all groups. Persons of all ages in the lowest household income quintile had much lower median levels of net worth and net worth excluding home equity than those in the highest income quintiles.

Table 1-2
The Median Net Worth of the Elderly Varies Widely
(All Values in 1992 Dollars)

		Age of the Head of Household							
						Age 65 and over			
	Total	<35	35-44	45-54	55-64	Total	65-69	70-74	75+
Lowest Quintile: $0-$13,368									
Households (thousands)	18,299	4,642	2,270	1,630	2,467	7,290	1,800	1,647	3,842
Median net worth	$5,128	$773	$1,006	$3,324	$19,622	$29,910	$28,083	$34,251	$29,994
Excluding home equity	$1,366	$531	$523	$1,064	$1,828	$4,194	$3,623	$3,627	$5,306
Second Quintile: $13,368-$24,180									
Households (thousands)	18,253	5,460	3,112	1,894	2,407	5,380	1,615	1,534	2,230
Median net worth	23,356	3,025	8,937	20,350	61,245	90,193	87,420	91,741	90,434
Excluding home equity	6,468	2,162	2,781	4,798	15,796	33,406	30,790	31,971	37,777
Third Quintile: $24,180-$36,552									
Households (thousands)	18,378	6,186	4,007	2,325	2,480	3,380	1,356	924	1,100
Median net worth	33,259	7,638	23,729	45,417	100,365	168,183	145,694	169,002	188,607
Excluding home equity	9,983	4,024	5,983	10,771	32,765	67,631	55,778	67,626	92,413
Fourth Quintile: $36,553-$55,260									
Households (thousands)	18,310	5,694	5,025	3,049	2,583	1,959	850	578	530
Median net worth	54,833	18,288	47,419	78,030	113,931	239,046	214,425	258,033	263,664
Excluding home equity	17,049	8,222	13,685	22,307	43,325	119,166	102,372	143,907	144,470
Highest Quintile: $55,261+									
Households (thousands)	18,314	3,397	5,502	4,715	3,152	1,548	710	500	338
Median net worth	132,556	44,850	104,713	155,204	235,992	406,805	357,829	439,632	463,297
Excluding home equity	48,255	19,654	36,487	54,316	108,976	247,617	203,018	291,032	298,933

Source: U.S. Department of Commerce (Eargle, 1990, Table E). Estimates from the 1989 Survey of Income and Program Participation.

Holding income constant, the elderly had much higher median net worth and net worth less home equity than did other groups. For example, the elderly in the first income quintile had median net worth of $29,910 (all figures are in 1992 dollars) and median net worth less home equity of $4,194 in 1988; the corresponding levels for those age 55 to 64 (the non-elderly group with the highest levels of wealth) were $19,622 and $1,828. The elderly in the fifth income quintile in 1988 had median net worth of $406,805 and median net worth less home equity of $247,617 in 1988, while the corresponding figures for those age 55 to 64 were $235,992 and $108,976, respectively.

D. Elderly Poverty Is A Major Concern

In 1960, approximately one-third of the elderly lived in poverty. During the past thirty-five years the rate of elderly poverty has steadily declined, with rates remaining fairly constant over the past decade. Much of this success is directly attributable to the real growth in Social Security benefits and other government programs; elderly poverty rates would be much higher if transfer income were not included. The Bureau of the Census (M. Shea, 1995) estimates that 9.4 percent of the elderly were in poverty in an average month in 1991, while the poverty rate was 10.5 percent for individuals aged 18 to 64 and 20.1 percent for individuals under 18.

A given rate of poverty, however, may have more serious implications for the elderly as a group than for the young. Studies by Hurd (1987a), Coe (1988), and the Bureau of the Census (M. Shea, 1995) suggest that poverty may last longer for the elderly than for the young, because the young are more likely than the old to escape from poverty through traditional means--employment, higher wages, and in some cases, marriage.

E. The Elderly's Risks Of Incurring Catastrophic Medical Expenses are High

Poor or not, the elderly face higher than average chances of incurring large out-of-pocket medical expenses. Schultz (1988) estimates that in 1986 out-of-pocket medical expenses for the elderly averaged 16 percent of household income. Rubin and Koelln (1993) estimate that out-of-pocket medical expenses for low income elderly households (those households below the median elderly household income level) were approximately 13.6 percent of income between 1986 and 1988, compared to 6.6 percent of income for those elderly households above the median income level. For the low-income elderly, 42 percent of medical expenses went to purchase insurance (including Medicare premiums), 21 percent went for drugs and supplies, and 37 percent went for medical services (approximately one third of which went for long-term care expenses).

The elderly are most at risk of catastrophic expenses for long-term care. Medicare pays for only short (100 days or less) nursing home stays in skilled nursing facilities for medically necessary care following an acute care hospital stay, with heavy copayments starting after the 20th day, and Medicaid requires the elderly to exhaust most of their assets and income before qualifying for benefits. Kemper and Murtaugh (1991) estimate that 43 percent of all elderly will have a nursing home stay; 32 percent will have a stay of three months or more; 24 percent will have a stay of one year or more; and 9 percent will have a stay of five or more years. Since a year spent in a nursing home can cost nearly $40,000 (in 1995 dollars) or more, long-term care looms as a large unfunded catastrophic expense.

While there are ways the elderly can insure against these catastrophic risks, few of the elderly have chosen to do so. Currently, less than five percent of the elderly have private long-term care insurance. While one study indicates that 35 percent of the elderly could afford (and qualify for) a basic LTC insurance policy (Cohen et al., 1993), most studies estimate lower market demand--in the 10 to 20 percent range.

II. Theories Explaining the Savings Behavior of the Elderly

There is widespread disagreement on: 1) whether the elderly save or dissave; 2) their reasons for saving and dissaving; and 3) the form in which the elderly hold their assets. There are many competing theories that explain the saving and dissaving behavior of the elderly. Given the diversity of the elderly, particularly their attitudes towards saving and consumption, it is unlikely that any one theory can account for all the variations in elderly savings and dissaving behavior. Instead, it is more likely that the various theories may be better at explaining some aspects of the savings behavior of the elderly and are less successful at explaining others. For this reason, it is worthwhile to consider evidence for and against the most prominent theories explaining the savings behavior of the elderly.

A. The Life Cycle Theory

Perhaps the most prominent single theory explaining the savings and dissavings of the elderly is the life cycle theory (Modigliani and Brumberg, 1954; Ando and Modigliani, 1963). This theory hypothesizes that individuals save and dissave assets so as to smooth the level of consumption over their lifetime.[3] According to this theory, individuals accumulate assets while young and dissave during retirement to make up for lost earnings. The most simple form of this theory assumes that individuals: 1) are certain about their length of life; 2) have a known stream of earnings while young, followed by a period of zero earnings after retirement; 3) face a fixed and certain interest rate for saving and borrowing; have no borrowing or lending constraints; 4) have no incentive to bequeath assets at their death; and 5) place equal value on the utility of consumption in any period.[4] The utility maximizing solution under these conditions is for individuals to consume an equal quantity of their lifetime resources in each period. To achieve this flat consumption path, the young save from their earnings and asset income, thus accumulating assets by retirement. These assets allow the elderly to maintain their pre-retirement level of consumption until they die.

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[3] The life cycle model is also referred to as the permanent income model, because it assumes that individuals make consumption choices based on expected lifetime income, or permanent income, rather than on current income.

Ando and Modigliani (1963) were among the first to test the implications of the life cycle theory. Using aggregate time series data from 1929 to 1939 and 1946 to 1959 (the war years from 1940 to 1945 are omitted), they discover guarded evidence supporting the basic theory. Subsequent studies (Mirer, 1979), (Danziger et al., 1982) that used cross-sectional data found less evidence supporting the life cycle theory.

Cross-sectional tests of the life cycle theory, however, suffer from a serious, basic flaw -- they fail to analyze the consumption and savings patterns for a particular group of the elderly. If cohorts of the elderly differ in the level of basic lifetime resources, education, and sexual and marital composition, to mention just a few of the many potential sources of heterogeneity, then using estimates based on a cross-sectional data set to make general claims about the pattern of elderly income and wealth is a suspect and perilous exercise at best.

Another series of studies used longitudinal data to test the life cycle theory. Friedman and Sjogren (1981) employ the 1969 to 1979 Longitudinal Retirement History Survey, which contains information for a fairly young (58 to 73) group of the elderly, some of whom may not have started the dissaving phase of their life cycle. Their analysis of these data indicated that both median and mean wealth declined for elderly couples, while mean income also decreased for single men and women from 1968 to

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[4] The major implication of the life cycle theory -- that individuals save while young to maintain a higher stream of consumption after retirement, still holds even if these assumptions are relaxed considerably.

1974. Although they found that median income for the latter two groups increased, the increase was quite small. Their findings lend support to the life cycle theory. Another study using the LRHS determined that the elderly consume a substantial fraction of their "real non-housing bequeathable wealth," another finding consistent with the life cycle theory (Hurd, 1987).

Sheiner and Weil (1992) report findings similar to those of Hurd. Sheiner and Weil are specifically interested in investigating the housing wealth of the elderly and how patterns of elderly home equity holdings and home ownership change over time. The authors' data sources are numerous, including the 1983 Survey of Consumer Finances (SCF), the 1983 and 1988 Current Population Survey (CPS), and the 1968 to 1987 Panel Study of Income Dynamics (PSID).[5] In contrast to Venti and Wise (1989) and others, Sheiner and Weil find that the housing wealth and rates of home ownership of the elderly decline over time, particularly for persons age 75 and older. The authors also discover that not all of this decline in housing wealth is matched by a corresponding increase in other assets--the elderly appear to consume some of their housing wealth.

Some longitudinal studies contradict the life cycle theory. For example Shea (1995) uses the PSID to test a central implication of the life-cycle hypothesis -- that household consumption growth should not respond to predictable movements in income. If households are smoothing their consumption through time as the life cycle theory suggests, their patterns of consumption should reflect these predictable changes in their income. Shea finds a significant correlation between predictable wage movements and changes in consumption, contrary to the implications of the life-cycle hypothesis. Interestingly, Shea also finds that consumption responds more strongly to predictable income declines than to predictable income increases.[6]

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[5] The authors use several statistical techniques, including analyses of a single cross section (the 1983 SCF), the use of multiple cross section/cohort methods (comparing cohorts in the 1983 CPS with corresponding individuals who were five years older in the 1988 CPS), and panel study methods (with the 1968 to 1987 PSID).

The empirical evidence for the life cycle theory is thus mixed, as this theory is not able to account for some basic economic facts. For example, many workers retire with little or no wealth. For those elderly that did retire with a stock of wealth, many continue to save, when the life cycle theory predicts that the elderly should dissave to maintain a higher level of consumption. In addition, many individuals die with a considerable level of wealth, even those without a surviving spouse or dependent children; these individuals clearly did not maximize personal consumption over their entire lives. The inability of the life cycle model to fully explain savings behavior reflects the heterogeneity of the elderly. Different elderly individuals appear to have different "tastes" for consumption and savings.

B. The Precautionary Motive Theory

The elderly may be responding to economic motivations and pressures other than those considered by the life cycle theory, which only considers how individuals can smooth their lifetime consumption path. Savings is a method of insuring against the costs of uncertain events, such as long life, unemployment or low wages, or catastrophic medical expenses. Many studies have attempted to estimate the optimal consumption path for households facing uncertainty and borrowing constraints.

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[6] The correlation Shea observes between changes in predictable income and consumption may be due to differences in household composition related to these predictable changes in income. For example, a household entering retirement may well predict a decline in its income, but could offset this decline by increasing non-market activities. For instance, this household in retirement has more time to prepare food and may thus consume less prepared food or eat out less. In addition, the household may resume chores (e.g., gardening, cleaning, etc.) that it may have purchased before retirement. These changes would appear to be declines in consumption that occur when income is falling, when consumption, including household production, may not be falling at all.

Some studies consider the effects of uncertain life expectancies on individual savings behaviors. With a perfect market for annuities, individuals could purchase annuities to insure against the risks of their uncertain lengths of life (Barro and Friedman, 1977). This would allow individuals to maintain consumption at the same level as they could in a world where each individual's length of life is certain. Annuity markets, however, are far from perfect. Davies (1981) finds that in the absence of fair annuities, people who are uncertain about the length of life will consume less and save more, and may continue to save while they are old. In addition to uncertainty about the length of life, an unstable job market--especially in the years just prior to retirement--could cause the non-elderly to save more (Skinner ,1987).

Many of the studies discussed above which test the life cycle theory claim to find evidence for precautionary savings. This is largely a negative inference; typically, a researcher tests the life-cycle theory by determining if the elderly appear to dissave. If no evidence is found which indicates dissaving occurred, the author assumes the presence of a precautionary motive for savings.

Whether a lack of dissaving is prima facie evidence for precautionary savings is certainly open to question. Elderly individuals may well continue to save to leave bequests, in addition to saving to hedge against future uncertainty. Also, the precautionary motive for saving does not preclude dissaving; it merely slows the rate of dissaving. Risk-averse elderly individuals facing future uncertainty can still insure against these risks without having to conserve their level of wealth (or even increase it).

The enormous popularity of the Social Security program among the elderly makes a strong case for the existence of a precautionary motive for savings. The protection against the risks of an uncertain length of life provided by the Social Security system should reduce private savings (and increase social welfare). Starting with

Feldstein in 1978, many studies conclude that the Social Security system is strongly associated with lower aggregate savings. The fact that many private pension plans are "integrated" with the Social Security system is more evidence for a precautionary motive for savings (Hubbard, 1988).[7]

Precautionary savings models may suffer from several weaknesses. It is often difficult to incorporate risks (e.g., long life, catastrophic medical expenses, etc.) explicitly into a formal model. In addition, while many precautionary savings models, including those extending life cycle models, may predict why the elderly continue to save, they are less successful explaining in what form the elderly should hold their assets. In particular, why do the elderly fail to invest more of their resources into annuities that provide better protection against the adverse consequences of economic risks?

C. The Bequest Motive Theory

A third major theory explaining elderly savings behavior is that the elderly save to leave their children an estate: the bequest motive.[8] Many bequests may be unintentional--with uncertainty about the length of life, many elderly could die with positive assets, particularly if annuity markets do not function well. When the bequests are deliberate, however, theories predicting such behavior are largely divided into two types: (1) altruistic bequest motives; and (2) strategic bequest motives. A bequest motive is altruistic if the parent provides bequests solely because the parent cares about the welfare of their children. In contrast, a strategic bequest motive implies that parents use bequests at least in part to affect some aspect of their children's behavior. Below, we describe several altruistic and strategic bequest motive theories, and then review the evidence for and against these theories.

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[7] Almost all integrated plans are defined benefit (DB) plans. In an integrated pension plan, a recipient's Social Security benefits in part determines that individual's pension benefits. For example, an integrated DB plan might reduce a beneficiary's pension benefits by one dollar for every two dollars of Social Security benefits that beneficiary receives. There are strict rules limiting the ways private pension plans may be integrated with Social Security, to insure that those covered by the pension plan with different income levels all benefit from the plan.

[8] The word children will represent any potential heir of an estate, with the exception of a surviving spouse. Since the family is often the unit of analysis in economics, the part of any estate inherited by a surviving spouse is still available to that family unit's consumption.

1. Altruistic Bequest Motives

In a seminal paper, Barro (1974) developed a theory in which parents care about the continued welfare of their children.[9] Barro's model assumes that parents care about their children's welfare, and thus include the utility of their children as an argument in their utility functions. The parents' economic decision is thus one of allocating their personal resources between their own and their children's consumption. The model predicts that parents will generally give their children gifts (intergenerational transfers).[10] Parents then die, and their children in the model then become parents, and this dynastic cycle continues. This model does not require parents to transfer assets to their children only at death; parents make their children inter vivos gifts including human capital (i.e., paying for their children's education and training).

2, The Strategic Bequest Motive

Bernheim, Schleifer, and Summers (1985) are not satisfied with the precautionary savings and altruistic bequest motive theories just described. They note that many retirees reject options that would convert their wealth into annuities offering excellent rates of return. This suggests that the precautionary motive alone cannot account for continued savings. In addition, Bernheim et al. point out that non-strategic bequest theories, such as Barro's, are theories of parental gifts, not bequests. In the absence of perfect capital markets, where children could borrow against any future expected bequest a truly altruistic parent should actually prefer inter vivos gifts to bequests.[11] Why then, the authors ask, are inter vivos gifts so rare in comparison to bequests?

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[9] That is, the children's utility is an argument in the parents' utility function. Many elderly may not desire to leave bequests, even though they care about their heirs (Hurd, 1987; Abel, 1985).

[10] This will not occur in a corner solution. In a corner solution, the best allocation of resources for an individual is to consume none of a particular good. For example, I may want to purchase a luxury car, but if its price is too high or my resources are too low, I may be better off spending my resources on food and shelter.

Their explanation, while cynical, has a certain elegance and yields empirically testable hypotheses. The authors posit that a game is being played by parents and their children, in which the parent uses the promise of a bequest to alter a child's behavior; this behavior is the amount of personal attention children give their parents. Parents are still altruistic, in the sense that they care about their children's welfare, and will bequeath any of their remaining assets to their children after their deaths. On the other hand, the parents use the promise of an inheritance as a lever to increase personal contact (e.g., visits and phone calls) with their children. Notice that if parents hold their wealth as annuities, or give their children inter vivos gifts, children have less incentive to pay more attention to their parents.

The authors, do, however, ignore another reason parents may wish to provide their children with bequests rather than inter vivos gifts. Providing a child with a large inter vivos gift may lower that child's incentive to work hard or even to acquire human capital, thus lowering that child's lifetime earnings. Parents may thus delay making bequests if they desire that their children work harder and acquire more human capital. One inference of this explanation, however, is that parents may only delay making inter vivos gifts, rather than make bequests, only until their children have invested sufficiently in their own human capital and have worked some minimum amount.[12]

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[11] This is because children have more choice during their lifetimes when they can consume an

Bernheim et al. use the 1971 and 1975 waves of the LRHS to empirically test their theory. They find marginal evidence to support the strategic bequest motive. Neither Bernheim nor his fellow authors would claim that the only motives for visiting or calling elderly relatives is the selfish expectation that such behavior will result in economic gain to the children. In fact, the authors readily concede that their model only helps explain the amount of attention children pay to their elderly parents at the margin.

3. Empirical Evidence for Bequest Motives

Empirical evidence of a bequest motive is mixed. This reflects the difficulty of empirically untangling the complex issues involved in any relationship, data limitations, and the heterogeneity of the elderly. Kotlikoff and Summers (1981) find evidence to support the argument that bequest motives strongly influence savings behavior, while Modigliani (1988) believes that, compared to the life cycle and precautionary motives for saving, bequest motives play a relatively minor role in explaining savings behavior.

Hurd (1987) finds that elderly persons with children consume more of their bequeathable wealth than those with no children. The reasons for this "curious" finding are not at all clear. Couples may have already given their children inter vivos gifts (i.e., gifts made when the parent is alive), so that their "bequest motives" are fulfilled before retirement, leaving their remaining assets for themselves. It is also possible that households with children have lower average assets at retirement than households who are childless, and so spend a higher fraction out of a smaller stock of wealth.

Avery and Rendall (1994) forecast that baby boomers will receive, over their lifetime, approximately $12.4 trillion (in 1994 dollars) in bequests, from approximately

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inter vivos gift. A bequest must be consumed after a parent's death.

[12] With perfect capital markets, delaying a bequest would not affect a child's decision to work or invest in human capital, because the child could borrow against any future bequest.

115 million bequests. This translates to a mean bequest of $108,000. Many boomers will receive very small bequests, or no bequests at all, because the distribution of bequests--like the distribution of wealth--is highly skewed. A recent study by Smith (1994) finds that the bequest motive is more likely to affect savings behavior among more affluent households. His findings suggest that bequests are a luxury good, and the bequest motive only operates for those elderly households with sufficient resources to cover their costs of living and potential future health care expenditures.

As Becker (1981) points out, the reason wealthy families have stronger motives to make bequests to their children is due to differences in returns to investments in human and non-human capital. The returns to investing in human capital are quite high initially, but the marginal returns to human capital then decline -- i.e., the "investment return" on an undergraduate or post-graduate degree may be quite high, but the return on additional degrees and training then diminishes. The best investment strategy is for parents to invest in their children's education until the parent no longer wants to invest more or until the marginal return on human capital just equals the return on non-human capital. The parent should then invest in non-human capital for his or her children. This would suggest that poor families invest in their children by investing in their education and training, but only wealthy families can afford to both invest in their children's human capital and provide their children with non-human capital (i.e., bequests).

One recent study (Auerbach et al., 1995) estimates the fraction of total lifetime resources held as bequeathable and non-bequeathable, or "annuitized" wealth. Bequeathable wealth includes non-human wealth (i.e., time deposits, stocks, bonds, housing stock, other real estate holdings, ownership shares of private businesses, etc.) and the value of life insurance benefits. Annuitized wealth includes the present discounted value of future earnings, Social Security benefits, private and government employee pension benefits, government health care benefits, welfare benefits and other government transfers, and the present value of future taxes (a negative annuity).

The authors estimate that the fraction of total lifetime resources held as annuitized wealth increased from 23 percent to 51 percent for elderly men from 1960 to 1990. This increase in annuitized wealth for elderly men was exactly offset by a decrease in annuitized wealth for non-elderly men[13]; annuitized wealth's lifetime share of total economic resources for men remained at 74 percent from 1960 to 1990. For both all women and for elderly women, however, annuitized wealth's fraction of total lifetime resources increased substantially from 1960 to 1990, from 34 percent to 59 percent for all women and from 13 percent to 54 percent for elderly women. These increases in annuitized wealth are largely due to substantial increase in the value of Social Security and Medicare wealth; increases in earnings and pensions are less important.

Auerbach et al. believe that increases in annuitized wealth, particularly among the elderly, have depressed national savings. Annuitized wealth allows individuals to maintain higher levels of consumption, and reduces the level of unintentional bequests. According to their calculations, if the share of annuitized wealth for each age/gender group remained fixed at its 1960 level in 1990, the flow of bequests in 1990 would have increased by $136.3 billion and would thus have increased national savings in that year by 87 percent.

Auerbach et al. and other researchers concerned with the apparent decline in private savings rates may be ignoring another effect attributable to changes in labor force participation rates for women. Households engage in both market and non-market activities. The products of non-market activities are consumed entirely - i.e., food preparation, shopping, child care, yard work, etc. Under current accounting methods, non-market activities are treated neither as income nor as consumption. As labor force participation rates for women have increased, families are now often purchasing the non-market services once produced by women in the market. These purchases are treated as consumption, and this measured increase in consumption in turn lowers current measures of saving. If non-market activities were added to both consumption and income measures, however, there would be no decline in savings when an activity once produced in the home instead is purchased in the market.

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[13] The decline in annuitized wealth for non-elderly men is due in large part to an increase in the present value of their future tax burdens, a negative annuity.

As with life cycle and precautionary motive savings theories, models of elderly savings and consumption that include bequest motives suffer from some weaknesses. Non-strategic bequest motive models cannot explain why generations delay making desired bequests until death, rather than providing these bequests as inter vivos gifts. While strategic bequest models provide an answer to why bequests are delayed, these models at best appear to account for behavior on the margin.

CHAPTER TWO
ESTIMATES OF THE INCOME AND ASSETS OF THE ELDERLY FROM THE PANEL STUDY OF INCOME DYNAMICS AND THE SURVEY OF CONSUMER FINANCES

I. Overview

As we have described above in Chapter One and in more detail in our companion report (Coleman and Dall, 1995), there is an extensive literature that both measures the current economic status of the elderly by estimating their income and assets as well as seeks explanations for current elderly patterns of consumption and saving. A large number of data sources have been used by researchers in this area, including the Current Population Survey (CPS), the Decennial Census, the Longitudinal Retirement History Survey (LRHS), and the Survey of Income and Program Participation (SIPP).

While the estimates of the economic status made from these data resources are illuminating, it is possible more can be learned from using other publicly available data sets. Some of the data sources listed above (the CPS and the Census) present a series of cross-sections, making it impossible for researchers to analyze the economic status of individuals and households throughout their life cycles. The longitudinal data sources listed above either are out-of-date (the LRHS), or follow individuals for very short periods (the SIPP). In addition, many of these data sources provide only limited data on wealth and assets. One goal of this paper thus was to identify other longitudinal data sources that would allow one to measure the income and assets of elderly individuals over a longer period.

Towards that end, we present in this chapter estimates of the income and assets of the elderly using two longitudinal data sources, the Panel Study of Income Dynamics (PSID) and the Survey of Consumer Finances (SCF). These two data sets provide a wealth of information on how income and wealth differ by household demographics, and thus are useful for empirically analyzing issues regarding the ability of the elderly to finance their long-term care.

In Section II, we describe each data set. In particular, we contrast the features of both the PSID and SCF with each other and with other current data sources, to illustrate their strengths and weaknesses.

Next, we present estimates of the income (Section III) and wealth (Section IV) of the elderly using the PSID and SCF. Unless otherwise noted, we converted all income and asset values to 1994 dollars using the Consumer Price Index for Urban Consumers (CPI-U) to aid comparisons. We present estimates of elderly incomes in Section III, and we provide estimates of elderly net worth and assets in Section IV. To ease our exposition, we have included only a few detailed tables of results in these sections, and instead have illustrated our results using charts and graphs. More detailed tabulations are then presented in Appendix B to this report.

One advantage of the PSID and SCF is the combination of detailed income and wealth measures. This allows one to estimate the number of individuals and households who can afford to meet large expenditures through some combination of their current income and spending down their assets. In particular, in Section V we present some estimates of the number of elderly and near-elderly who can afford to purchase private long-term care insurance policies. Section VI then concludes this chapter.

II. Description of the Data

In this section, we describe the principal features of both the Panel Study of Income Dynamics (PSID) and the Survey of Consumer Finances (SCF). This description includes the sample sizes for each survey including their samples of elderly individuals, the income and asset data compiled by each, and other special features of each. We conclude this section with brief descriptions of several other data sources, and provide some income and wealth and asset tabulations from these other sources, as well as from the PSID and SCF.

A. The Panel Study of Income Dynamics

The Panel Study of Income Dynamics (PSID) is an annual longitudinal survey of the civilian noninstitutional population which began in 1968 with a sample of approximately 18,200 individuals in 4,800 households.[14] Over time, individuals in the original sample and individuals born into the sample have been tracked, with data collected through annual telephone and person-to-person interviews. By 1991, approximately half of the original sample had been lost through attrition.[15] Although the PSID had high attrition rates in its early years (a normal occurrence), attrition rates were extremely low after the first few years. For example, between 1983 and 1989, only eight percent of the elderly households (i.e., head of household was 65 or older as of 1983) attrited, and only three percent of the non-elderly households (i.e., head of household was under 65 as of 1983) attrited.[16] These low attrition rates are due to several factors--including the PSID's persistence in tracking households and the small monetary compensation given to participants.

Between 1968 and 1991 over 8,000 individuals were born into the sample and over 11,000 individuals moved into the sample through marriages, adoptions, and other living arrangements. When the children of participating households leave their parents' household to form their own family unit, they become a new household followed by the PSID (provided they are willing to participate in the survey). In addition, close to 7,000 individuals of Mexican, Puerto Rican, or Cuban descent were added as a Latino subsample in 1990 to make the sample more representative of the U.S. population. By 1991, the sample had grown to nearly 27,000 individuals in 7,400 households.

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[14] This section draws heavily from *The Panel Study of Income Dynamics: A User's Guide* (Hill, 1992) and *A Panel Study of Income Dynamics: Procedures and Tapes Codes, 1991 Interviewing Year* (SCR, 1995).

[15] Attrition is an important factor to consider in longitudinal analyses. Attrition occurs when sample households move and can no longer be tracked or when sample households no longer wish to participate in the survey. Furthermore, and especially among households headed by a single elderly person, attrition due to institutionalization or death may occur. Adjustments for attrition were factored into the PSID sample weights.

[16] Age categories refer to the age of the head of household.

The PSID was originally constructed as a poverty study, so by design the PSID oversamples households with low incomes. In addition, the sample is much younger than the overall population. Thus, weighting is necessary to compute sample statistics to describe the U.S. population.[17] One benefit of oversampling low-income households is that income and asset estimates for the low-income population are generally more accurate (as a result of larger sample sizes) than would occur if low-income households were sampled in direct proportion to their prevalence in the overall population. Likewise, the initial oversampling of the younger population (and thus, undersampling of the elderly population) reduces the standard error of statistics computed for the younger population (and raises the standard error of statistics computed for the elderly population) than would have been computed without oversampling.

The income and asset statistics presented in this paper were computed using data from the 1983, 1984, 1986, 1987, 1989, and 1990 interviews. Income estimates were computed from the 1984, 1987, and 1990 interviews which report income received during the preceding calendar year. Thus, income estimates are presented for 1983, 1986, and 1989 (in 1994 dollars). Limited asset data was collected in the 1983, 1986, and 1987 interviews, while substantial asset data was collected in the 1984 and 1989 interviews. Asset statistics in this chapter are presented for 1983-84 and 1989. These years were chosen so that income and asset estimates from the PSID could be compared to estimates obtained from the 1983, 1986, and 1989 waves of the Survey of Consumer Finances (SCF).

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[17] Hill (1992) identifies four reasons why unweighted estimates made from the PSID will not accurately describe the U.S. population. First, low-income households are oversampled by design. Second, the PSID tracks the children in participating households who form their own family unit. This method by which households are selected to participate in the survey results in the oversampling of younger households. Third, differential attrition has occurred over the years. Fourth, the large influx of immigrants into the U.S. since 1968 has not been captured in the PSID (although the Latino subsample added in 1990 will partially correct this problem).

Sample statistics were computed using household-level data for those households headed by someone 35 years of age or older. The 1983, 1986, and 1989 files consist of 2,900 households, 3,396 households, and 3,899 households, respectively, whose head was 35 or more years of age. A major weakness of the PSID for analyzing topics relating to the elderly is the relatively small number of households headed by someone age 65 or more. Over time, this problem of small sample size has decreased. For example, between 1984 and 1990 the elderly subsample grew from 580 to 889 households, a 53 percent increase.

In addition to data collected during the interview, each annual PSID file contains approximately 100 household-level and 50 individual-level variables which are generated by computer. These variables include such things as federal income tax liabilities, sampling weights, and location measures (e.g., region, state, and county FIPS). Each survey is thoroughly edited for internal consistency and imputed values are used in place of missing data for key income and work hour measures.

B. The Survey of Consumer Finances

The Survey of Consumer Finances (SCF) began in the 1940s, but lapsed during the 1970s due to lack of funding. The Federal Reserve Board resumed the SCF in 1983, and has collected data every three years through 1992. The SCF consists of two subsamples--a randomly selected sample of individuals residing in the lower 48 United States (designated the area probability sample) and a probability sample of high-income households identified by their federal tax returns (designated the high-income subsample).[18] The SCF does not sample persons residing in nursing and rest homes, college dormitories, jails, missions, convents, monasteries, other institutional quarters, or the military.

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[18] This section draws heavily on the 1983 and 1986 Technical Manuals and Codebooks for the SCF produced by the Board of Governors of the Federal Reserve Board System.

The main focus of the SCF is on household wealth. Information on household assets and debt is collected at a very detailed level, while income data is collected at a more aggregated level. Each triennial survey reports assets at the time of the survey and income for the calendar year preceding the survey year. The SCF's emphasis on household wealth and less detailed coverage of household income is the reverse of the focus of the PSID. (Although the PSID includes special wealth supplements in 1984 and 1989, the annual survey focuses on the sources and levels of household income.) In addition, the level of detail on asset and net worth measures within the SCF varies considerably across waves. For example, the 1983 SCF collected far more detailed information than the 1986 wave. For this reason, some of our tabulations from the SCF are more detailed for different years.

The 1983 SCF contains 3,665 observations from the area probability sample and 438 observations from the high income sample. For our analyses we selected only those observations where the head of household was age 35 or older (2,946 observations), allowing us to compare SCF income and assets estimates with those we calculated for the PSID. In 1986, the SCF reinterviewed 2,822 households from its 1983 sample--359 high income and 2,463 area probability observations. Of this total, 2,285 were headed by someone age 35 or older. The 1989 and 1992 surveys reinterviewed some members from the 1983 high income and area probability samples, in addition to individuals from new high income and area probability samples. However, the 1989 and 1992 data files do not identify those households that participated in the earlier surveys, nor the total number of households which were reinterviewed.

The 1989 SCF interviewed 3,143 households, of which 2,528 were headed by someone age 35 or older. The 1989 wave differs from other waves in that the survey designers included five randomly imputed records for each respondent; thus, the 1989 SCF has a total of 15,715 records representing 3,143 households. These imputations were done to minimize non-response bias.[19] The 1992 SCF interviewed 3,906 households, of which 3,104 were headed by someone age 35 or older.

The "cleaned" SCF files contain information for all key income and asset variables. Missing information is imputed using three different methods. The first method uses other survey data and formulas to impute missing values (e.g., annual earnings can be imputed from data on wages and hours worked). The second imputation method uses random draws from conditional frequency distributions, typically to impute discrete variables. The third method uses regression analysis to impute missing dollar values.

C. Other Data Sources

Numerous surveys have been taken which provide researchers data on household income and wealth. In addition to the PSID and SCF, other on-going major surveys include the Current Population Survey (CPS), the Survey of Income and Program Participation (SIPP), and the Decennial Census. Each survey has its strengths and weaknesses for analyzing the economic well-being of the elderly and their ability to finance their long-term care.

The **Current Population Surve**y is a monthly, nationally-representative sample of approximately 160,000 persons. Only the March survey asks detailed information on the types and amounts of income received by each household. The main strengths of the CPS for analyzing issues regarding the elderly are its large sample size and current data. Unfortunately, since the households participating in each March survey differ from year to year, individual households cannot be tracked over time. Still, the CPS is useful for cross-sectional analyses (i.e., looking at different cohorts at a given point in time and looking at a given cohort at different points in time).

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[19] See Donald B. Rubin, *Multiple Imputation for Nonresponse in Surveys*, John Wiley and Sons, 1987, for an overview on the theory of multiple imputation and the use of multiple imputed data.

Estimates of household income for 1989 from the CPS are slightly lower than estimates from the PSID for most age categories, but are slightly higher than comparable estimates from the SCF for most age categories (Table 2-1). For example, median household income for those whose head was age 45 to 54 was $49,620 for the CPS, $53,775 for the PSID, but $47,226 for the SCF.

The **Survey of Income and Program Participation** samples the noninstitutionalized resident civilian U.S. population where the head of household is at least 15 years of age. Persons living in "group quarters" (e.g., dormitories, rooming houses, and religious group dwellings) are eligible for participation in the survey, unlike the PSID and SCF. Each household selected to participate in the survey is interviewed every 4 months for a period of 32 months. The main purpose of the SIPP is to examine participation in various government assistance programs. Thus, as with the PSID, the SIPP by design oversamples lower-income households, so appropriate weights must be used to estimate population statistics.

Although each wave of the SIPP is a panel survey, individual households participate for only up to 32 months, so the SIPP is of limited use as a longitudinal file. One advantage of the SIPP over the PSID and SCF is its larger sample size. Approximately 21,900 households were surveyed in the panels beginning in 1990-1992; approximately 11,600 households participated in the panels beginning in 1986-1987; and approximately 18,700 households were interviewed in the panels beginning in 1984-1985. Approximately 3,900 heads of household in the 1984-1985 panels were 65 years or older, and almost 1,600 were 75 years or older. The number of elderly households in the 1984-1985 SIPP is approximately seven times the number in the 1984 PSID and five times the number in the 1983 SCF.

Curtin, Juster, and Morgan (1988) compared wealth estimates from the 1984 wealth supplement of the PSID, the 1983 SCF, and the 1984 wealth supplement of the SIPP. They conclude:

> 1. 'Measured against the standards set by previous household wealth surveys, all three of these data sets stand up quite well. They do not differ substantially among themselves when it comes to measuring total wealth and the distribution of wealth in the great bulk of the U.S. population.'
>
> 2. 'The unique design characteristics of the SCF gives it the highest overall potential for wealth analysis of the three data sets...Comparing PSID to SIPP, one gets a mixed picture, but, in general, PSID had the advantage...Although PSID is not able to describe the details of wealth holding nearly as well as SIPP because of its highly aggregated nature, its measurement error characteristics look to be consistently better than those of SIPP.'[20]

Estimates of median household income for 1988 from the SIPP underestimated household income for the non-elderly, relative to estimates from the PSID for 1989 and estimates from the SCF for 1988, but fell between the corresponding PSID and SCF estimates for the elderly (Table 2-1). The differences in median income estimates for the elderly across these surveys, was not that large, particularly if one excluded the SCF. Net worth estimates from each of these sources followed the same pattern (Table 2-2). Part of this difference may be due to differences in the overall populations sampled by each survey-- i.e., the SIPP includes individuals living in "group quarters," while the PSID and SCF do not.

The **Decennial Census** collects data on household earnings, as well as detailed information on household demographics. The main advantage of the Census is its large size. The main drawbacks are that the Census is conducted less frequently than the other major surveys (i.e., only once every ten years), and individual households cannot be tracked over time.

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[20] Quote taken from Hill (1992).

Table 2-1
Median Household Income in 1988 and 1989, by Age of Head of Household (in 1994 dollars)

Age of Head of Household	PSID (1989)	SCF (1988)	SIPP (1988)[1]	CPS (1989)[2]
35-44	$50,190	$50,120	$37,582	$44,833
45-54	53,775	47,226	39,146	49,620
55-64	41,825	33,831	31,133	36,885
65+	18,975	17,542	18,205	18,838

[1] Source: Eargle (1990).
[2] Source: Bureau of the Census(1995).

Table 2-2
Median Household Net Worth in 1988 and 1989, by Age of Head of Household (in 1994 dollars)

Age of Head of Household	PSID (1989)	SCF (1988)	SIPP (1988)[1]
35-44	$53,775	$60,969	$41,570
45-54	93,210	102,232	71,990
55-64	144,595	103,105	100,260
65+	92,852	78,607	92,041

[1] Source: Eargle (1990).

III. The Income of the Elderly

In this section, we present estimates of the income of the elderly from both the PSID and the SCF. These estimates include estimates first by household characteristics (e.g., by age, marital status, and race) and then by source of income. One of the primary reasons we used the PSID and the SCF for these estimates is the longitudinal nature of each data source. Thus, we also present estimates of the income of the elderly for particular cohorts through time. The estimates of the income of the elderly presented in this section and for assets in Section IV are based on the detailed tabulations from the PSID and SCF presented in Appendix B.

A. Income by Household Characteristics

1. Income by Age

One interesting finding illustrated by longitudinal data were the changes in the income distribution of the elderly and near elderly from 1983 to 1989 for the PSID (Table 2-3). In this table, we present the changes in the income distribution from both 1983 to 1986 and from 1983 to 1989, but we limit our discussion here to the longer and more interesting period. During these six years, the incomes of those with the highest incomes grew the least or even declined, while the incomes of those with the lowest incomes either held steady or increased. For example, 59 to 65 percent of non-elderly and elderly households whose incomes were $30,000 or more in 1983 had their incomes decline by 10 percent or more from 1983 to 1989. In contrast, 65 percent of households with incomes of less than $10,000 in 1983 whose heads were age 55 to 64 increased by 10 percent or more, while the incomes of most the elderly in this income category in 1983 held steady or increased.

One can also track changes in median household incomes using longitudinal data (Chart 2-2):

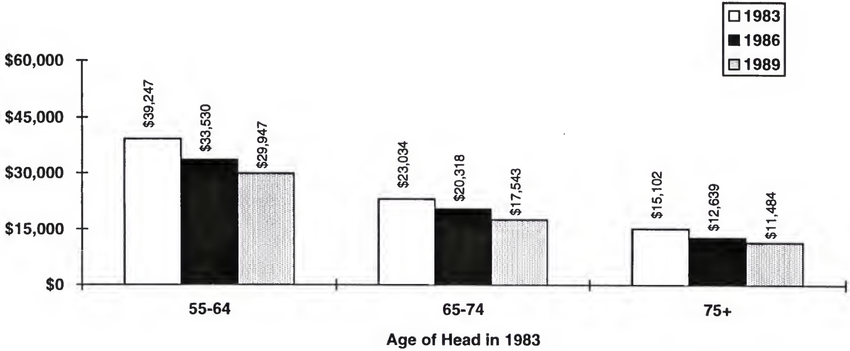
- Median household income decreased by approximately 24 percent for all age groups age 55 or older in 1983, from 1983 to 1989.
- The decline in median household income in absolute terms for the elderly and near elderly cohorts between 1983 and 1989 was greatest for the 55-64 age group (approx. $9,300), next greatest for the 65-74 age group (approx. $5,500), and lowest for the 75+ age group (approx. $3,600).

Table 2-3
Distribution of Households by Change in Income Over Time, 1983-1989 PSID

	1983	Income change from 1983 to 1986			Income change from 1983 to 1989			Attrition 1983 to 1989
Age by Income (In 1983)	Distribution	% Decrease (<10%)	% Unchanged (-10% to 10%)	% Increase (>10%)	% Decrease (<10%)	% Unchanged (-10% to 10%)	% Increase (>10%)	
Age 55-64								
Low (<10K)	9	19	39	42	16	18	65	5
Moderate (10-30K)	30	37	21	42	46	18	36	2
High (30K+)	61	47	26	28	65	16	19	0
Age 65-74								
Low (<10K)	16	16	60	24	23	55	22	3
Moderate (10-30K)	36	36	37	27	46	38	16	8
High (30K+)	49	49	32	19	59	22	19	5
Age 75+								
Low (<10K)	32	28	53	19	37	36	27	19
Moderate (10-30K)	50	45	36	19	51	26	23	10
High (30K+)	19	52	25	23	60	15	25	12

Source: Panel Study of Income Dynamics (1983-1990).

Chart 2-1
Median Household Income Declines Through Time for Older Households: 1983-1989 PSID (in 1994 Dollars)

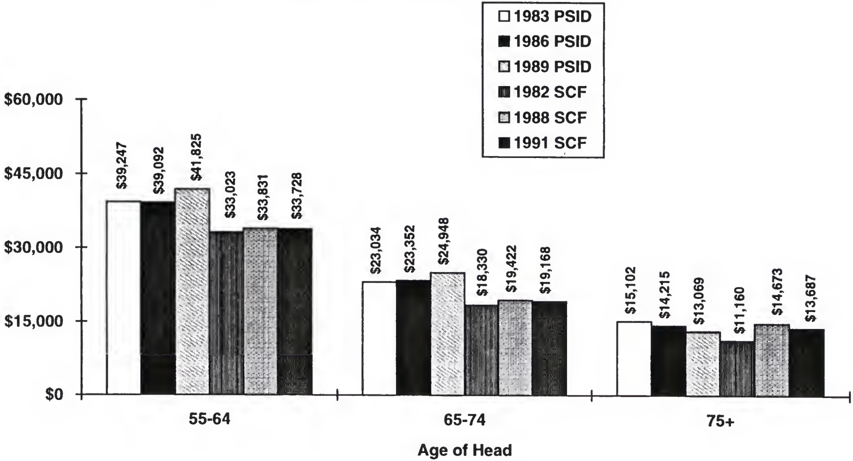


These declines in income for the older age groups are consistent with a simple life cycle model, where the income of retired households falls through time as those households use their assets to maintain consumption. We stress, however, that these patterns may be consistent with many other models of consumption and savings, a topic we consider in more detail below in Chapter Three. To more thoroughly evaluate different life cycle theories, one would prefer to track individual households over longer periods of time and until the head of household (and spouse, if applicable) had died. As the size of the elderly subsample in the PSID continues to grow over time, and as the number of years covered in the survey increases, such analyses will be feasible.

Another way to use the PSID and SCF data is to compare individuals in the same age groups at different points in time (Chart 2-2). While the income estimates from the SCF tended to be lower than those from the SCF, the patterns observed in both surveys was similar:

- Median household income was relatively unchanged through time for all three age groups; and
- Median household incomes for households age 75 and above consistently was much lower than those of households age 55 to 65 or even 65 to 74. Thus, the group most likely to need long-term care, those age 75 and above, have fewer personal resources to meet these costs.

Chart 2-2
Median Household Incomes of the Near-Elderly and Elderly at Different Points in Time: 1982-1991 SCF and PSID (in 1994 Dollars)



2. Income by Marital Status

In addition to comparing household income by age for the PSID and SCF, our detailed tabulations presented in Appendix B also compare the income of the elderly by marital status and race. Here, we only mention our most interesting findings. Income patterns differed greatly by marital status in both the PSID and SCF during the 1980s. Median household income for married elderly couples was approximately 2.5 times that of single elderly households. Likewise, the percentage of households with income from each source and the level of income from each source was consistently higher for married households.

3. Income by Race

Differences in income by race of head of household were even greater than differences by household marital status, when one considers that single elderly households generally require less income to maintain their standard of living than do married elderly households. Estimates of median household income for elderly non-black households were generally twice that of elderly black households. Stark differences in both the percentage of households with income from different sources and the levels received from each source were apparent. The policy implications of this large difference in the economic status of blacks relative to nonblacks is that a larger proportion of black elderly households may not be able to afford long-term care.

B. The Income of the Elderly by Source of Income

The three most important sources of income for the elderly are Social Security income, private pension income, and income from assets. These three income sources are commonly referred to as the "three-legged stool" of retirement income, usually because a retiree's income is more secure and stable if he or she receives income from all three sources. We begin with a discussion of the income received from these three sources by the elderly in the PSID and SCF, and conclude with a discussion of a fourth source of income, wage and earnings income. Wages and earnings tend to be less important to the elderly than the other three sources of income, primarily because the elderly usually have either left the labor force or only work part-time.

An analysis of the levels of income by source of income is important because factors which affect an elderly person's long-term care needs may be correlated with the level of income received from different sources. For example, individuals with high long-term care needs are often severely limited in their ability to work, and thus are unlikely to receive income from wages and earnings. Likewise, to finance their long-term care the elderly may be forced to liquidate financial assets--reducing future levels of asset income. An elderly household's pension income will fall over time, unless it is indexed to inflation, while the cost of long-term care continues to rise. Finally, while Social Security income is fully indexed for inflation, Social Security alone will generally not allow the elderly to meet their needs for long-term care.

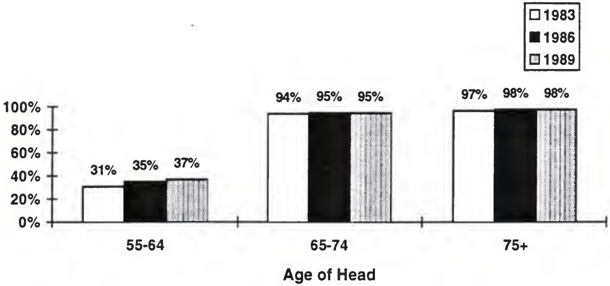
Our estimates of median income by source of income are based on only those households who receive income from that source. Part of the variation in estimates (especially for the 75+ age group) across years and between the PSID and SCF can be attributed to small sample sizes.

1. Social Security

The most important source of income for the elderly is Social Security (Charts 2-3A and 2-3B). The fraction of older households in the PSID that report receiving Social Security income increased slightly from 1983 to 1989, especially for those age 55 to

64.[21] Median Social Security income levels tended to increase from 1983 to 1989 for those households age 65 to 74, but remained relatively constant for those age 55 to 64 and 75 and over. It is more difficult to determine the receipt of Social Security benefits and the size of those benefits from the SCF, because in 1988 and 1991 the SCF combined Social Security benefits with incomes from annuities, disability insurance, and private pensions.

Chart 2-3A
The Percentage of Older Households with Social Security Income Increased, Especially for Those Age 55 to 64: 1983-1989 PSID



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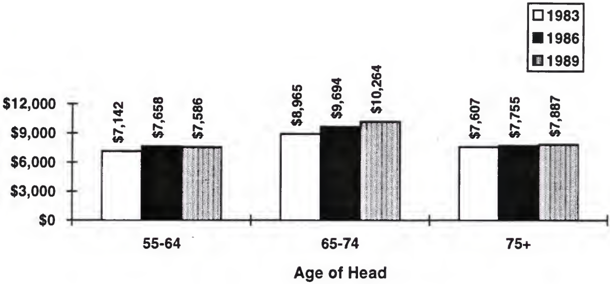
[21] Individuals are eligible for Social Security benefits because they are disabled or aged. During this period, the earliest age of eligibility (with reduced benefits) for aged beneficiaries is 62, explaining the much smaller percentage of those age 55 to 64 who receive benefits.

Chart 2-3B
Median Social Security Income of Older Households Tended to Increase: 1983-1989 PSID (in 1994 Dollars)



2. Asset Income

There was a curious discrepancy in both surveys. For both the SCF and PSID, more households reported asset income (Chart 2-4A (2)) than were recorded as having asset income (Chart 2-4A (1)) by either survey. In addition, while the fraction of elderly households in the SCF who reported having asset income or were reported to have household income tended to hold steady from 1982 to 1991, this was not true for the PSID. The fraction of elderly households reporting having asset income in the PSID tended to increase, while the fraction with recorded asset income tended to decline from 1983 to 1989.

Chart 2-4A (1)
The Percentages of Older Households with Income from Assets Recorded by the Survey: PSID and SCF

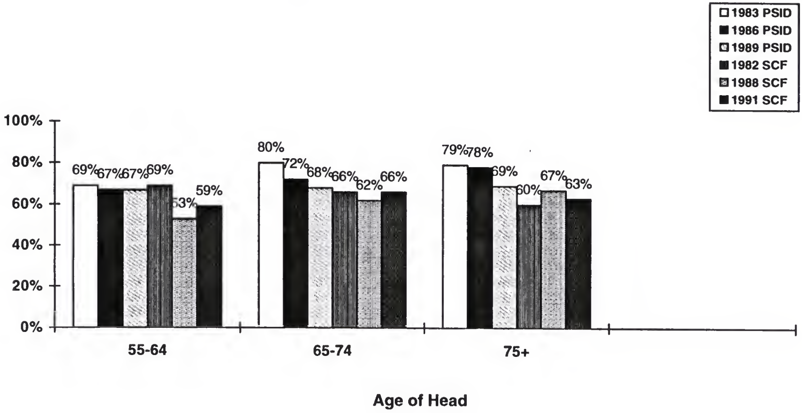


Chart 2-4A (2)
The Percentages of Older Households Reporting Income from Assets: PSID and SCF

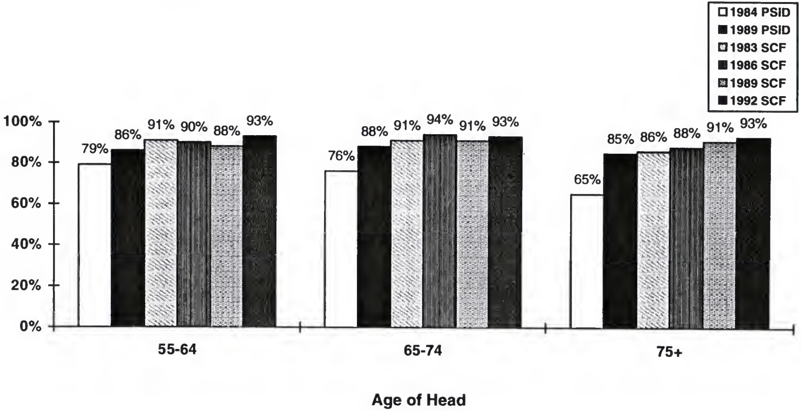
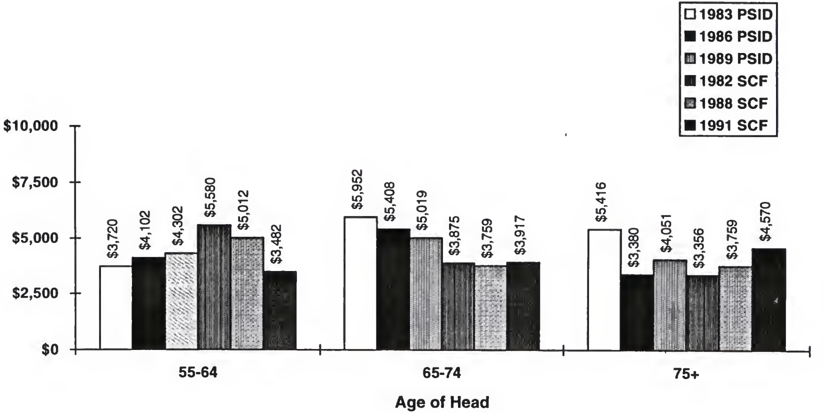


Chart 2-4B
Median Asset Income for Older Households with Asset Income Declined Through Time: 1982-1991 (In 1994 Dollars)



In addition, no clear picture emerges concerning changes in median asset income through time. In the PSID, median asset income declined for both elderly age groups from 1983 to 1989, and median asset income for both elderly age groups tended to be higher than that of households age 55 to 64 (Chart 2-4B). In contrast, the SCF showed that median asset incomes fell sharply for those age 55 to 64, remained flat for those age 65 to 74, and increased sharply for those age 75 and above from 1982 to 1991. In addition, median asset income for those age 55 to 64 exceeded that of those age 65 to 74 and 75 and above in 1982, but by 1991, those age 55 to 64 had the lowest median asset incomes of the three groups.

3. Private Pensions

The fraction of older households in the PSID with incomes from pensions increased between 1983 and 1986, but appears to have leveled off for those age 65 to 74 and 75 and above between 1986 and 1989 (Chart 2-5A). The increases between 1983 and 1989 are particularly large for those age 55 to 64 (from 28 to 38 percent) and those age 65 to 74 (from 50 to 59 percent). It is difficult to discern any pattern in the median size of pension benefits for those older households with pension income (Chart 5-B). Median pension amounts, however, are considerably higher for those age 55 to 64 ($6,700 to $8,900) and age 65 to 74 ($6,000 to $6,900) than for those age 75+ ($4,000 to $4,800), reflecting in part the lower real wages and poorer pension benefits of these older cohorts.[22]

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[22] It is not feasible to compare pension income measures from the SCF with the PSID, because the SCF combined private pensions with Social Security and disability insurance income in 1988 and 1991.

Chart 2-5A
The Increase in the Fraction of Older Households with Pension Income Helps Offset the Decline in Asset income: 1983-1989 PSID

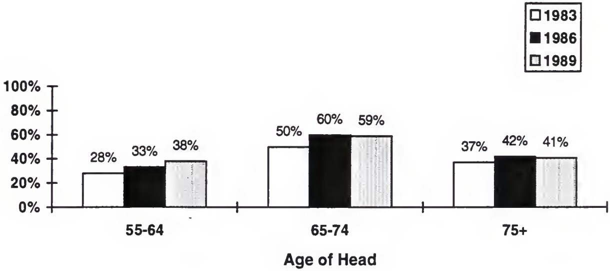
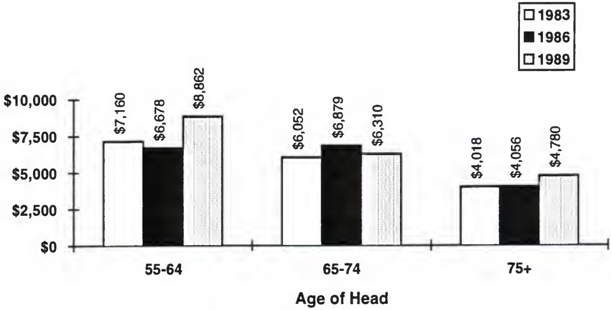


Chart 2-5B
Median Pension Income Was Much Lower for Those Age 75+: 1983-1989 PSID (in 1994 Dollars)



4. Wages and Earnings

With the onset of retirement naturally comes a sharp decline in the percentage of households receiving wages and earnings (Chart 2-6A). The fraction of households reporting wage or earnings income in the PSID declined from approximately 80 percent for those age 55 to 64, to 40 percent or less for those age 65 to 74, and then to about 15 percent for those age 75 and above. The SCF revealed a similar pattern, although the fraction of households reporting wage and earnings income tended to be lower. For example, in 1982, 1988, and 1991, no more than 73 percent of those age 55 to 64, 34 percent of those age 65 to 74, and 13 percent of those age 75 and above reported earnings income.

Even those elderly households which continued to receive earnings income had a sharp decline in earnings (Chart 2-6B). Those households age 55 to 64 with earnings had median household earnings of approximately $35,000, or three times the median earnings of those age 65 to 74 ($10,000 to $12,000) and seven times the median earnings of those age 75 and above (less than $5,000) in 1983, 1986, and 1989. Estimates of median earnings from the SCF were similar to the PSID estimates.

Chart 2-6A
The Fraction of Older Households with Wage and Earned Income Fell Sharply with Age: 1982-1991

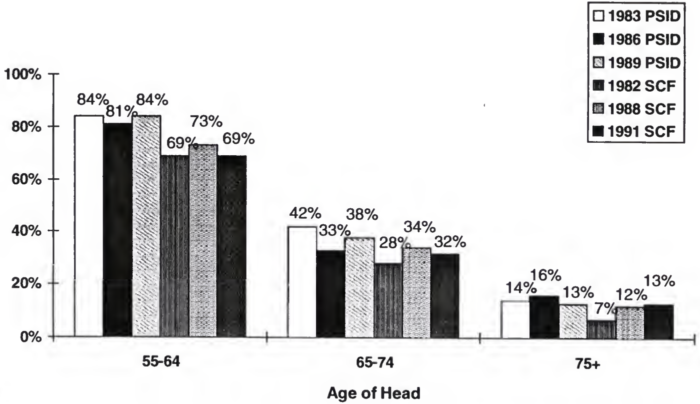
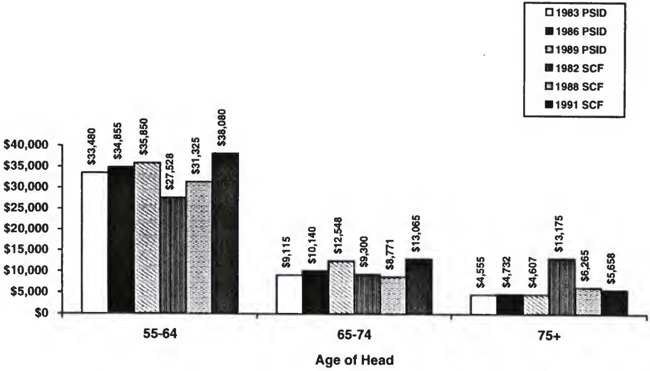


Chart 2-6B
Median Household Wages and Earnings for Older Households with Income from this Source Fell Sharply with Age: 1982-1991 (in 1994 Dollars)



IV. The Wealth and Assets of the Elderly

Wealth is a key measure of economic welfare, especially for the elderly who are generally retired from the work force and thus have lower levels of income. Wealth can take the form of interest-earning assets, such as financial assets and real-estate that earns rents, or non-interest-earning assets such as homes and automobiles. The distinction between different forms of wealth is important because some assets can more easily be liquidated to pay for long-term care needs and some assets generate income which can be used to purchase long-term care insurance. Furthermore, the current criteria to qualify for Medicaid-funded long-term care treats assets such as bonds differently than assets such as home equity.

The 1984 and 1989 waves of the PSID included special asset supplements that allowed us to calculate several measures of wealth in those two years. The wealth measures we estimated using PSID data were:

- home equity--the value of a principal dwelling less any remaining mortgage balance;
- net value of other real assets--the net proceeds that would be realized on the sale of real estate other than a principal dwelling, vehicles, and family farms or businesses;
- financial assets--checking and savings accounts, stocks, bonds, and the cash value of whole life insurance policies;
- total other debt--credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, car loans, and farm and business loans); and
- total net worth--home equity plus other real assets plus financial assets less total consumer debt.

These estimates include assets of the head of household, the head's spouse (when applicable) and any other household members. These estimates do not include present value estimates of future defined benefit pensions and Social Security benefits.

Although the survey questions varied considerably in their level of detail across each wave, we were able to estimate the same aggregate measures of wealth for each wave using data from the SCF.

In this Section, we use the information on assets in the PSID and SCF to present three sets of findings. First, we compare the assets of individuals in all age groups, both elderly and non-elderly. We believe it is important to compare the assets of the elderly and non-elderly, because these comparisons provide insights into life cycle models of consumption and savings behavior. Next, for the elderly we measure the assets held by type of asset. Finally, we relate income measures to asset measures for both the elderly and non-elderly.

A. Net Worth by Age

Using the longitudinal dimensions of both data sets, we tracked changes in median household assets through time for different cohorts (Table 2-4).[23] The resulting estimates were broadly consistent with the life cycle theory of consumption and savings. The younger, non-elderly cohorts increased their asset holdings considerably through time, and asset holdings appeared to peak just before retirement in the 55 to 64 age group. For the elderly, asset holdings typically declined, consistent with the life cycle hypothesis that retirees use their asset holdings to maintain higher levels of consumption.

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[23] Note that the asset holdings in 1983-84 (PSID) and 1983 (SCF) were similarly for the non-elderly, but that the PSID estimated that elderly cohorts had considerably higher median household assets.

Table 2-4
Longitudinal Changes In Median Asset Income Across Age Groups: 1983-89 (PSID) and 1983-1986 (SCF)

Age of Head of Household in 1983	PSID			SCF		
	1983-84 Median Total Net Assets	1989 Median Total Net Assets	Percentage Change In Median Total Net Assets	1983 Median Total Net Assets	1986 Median Total Net Assets	Percentage Change In Median Total Net Assets
35-44	$65,565	$81,260	23.9%	$64,932	76,127	17.2%
45-54	90,260	126,073	39.7	89,503	104,192	16.4
55-64	105,276	120,098	14.1	94,213	103,567	9.9
65-74	98,735	96,556	-2.2	84,649	86,135	1.8
75-84	62,718	59,750	-4.7	44,133	39,672	-10.1
75+	55,614	63,880	11.2	44,133	38,532	-12.7

Note: Asset estimates include assets of the head of household, spouse, and other household members, but do not include the value of pension annuities nor the present value of future Social Security income.

Asset data from both the PSID and SCF can also be compared in repeated cross sections (Chart 2-7). In both data sets, total net worth increased with age until it peaked for the 55 to 64 age group, before falling again for those age 65 and above. The lower total net worth of the oldest age groups most likely reflects both cohort and life cycle effects, but these repeated cross section results are consistent with the longitudinal results described above. For most age groups in both data sets, median total net worth was higher in 1989 than in 1983 or 1984, indicating the presence of an important cohort effect.[24]

Next, we compare the distribution of net worth across age groups for the PSID and SCF (Charts 2-8 and 2-9). There is one significant difference between the PSID and SCF estimates. The SCF estimates indicate that a much higher percentage of households of all ages have total net worth of less than $25,000 -- 23 to 37 percent for the SCF versus 11 to 19 percent for the PSID (Chart 2-8). The youngest (age 35 to 44) and oldest (age 75+) age groups are more likely to have total net worth of less than $25,000 and less likely to have total net worth of more than $200,000 than other age groups in both 1983-84 and 1989 (Chart 2-9).

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[24] One possible reason accounting for increases in asset holdings during the 1980s were the large bull markets in both bonds and equities. Thus, part of the observed increases could be due to a real balance effect, as assets held during this period became worth more.

Chart 2-7

Median Total Net Worth Varied Considerably Across Age Groups: 1983-84-1989 PSID and 1983-1992 SCF (in 1994 Dollars)

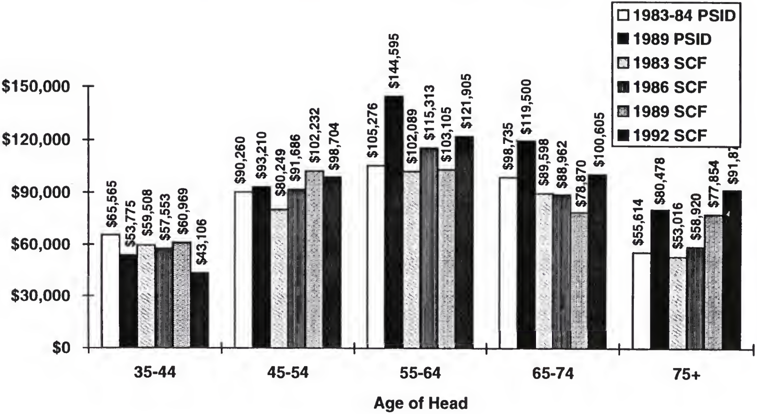


Chart 2-8
The Fraction of Households with Total Net Worth of Less than $25,000 are Somewhat Higher for the Youngest (35-44) and Oldest (75+) Age Groups: 1983-1989

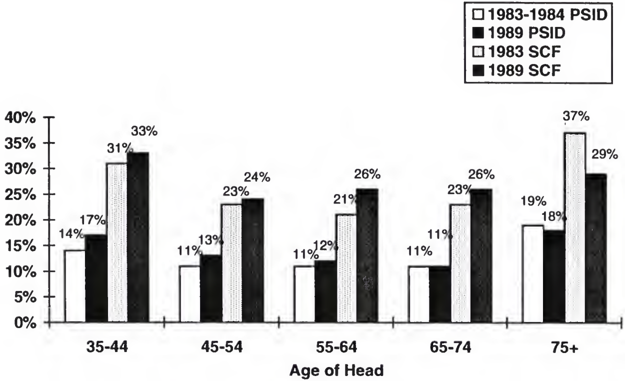
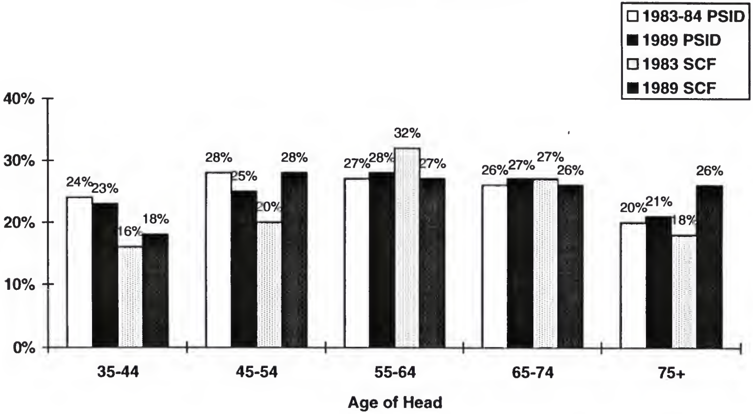


Chart 2-9
The Fraction of Households with Total Net Worth of More than $200,000
Is Somewhat Lower for the Youngest (35-44) and Oldest (75+)
Age Groups: 1983-1989



B. The Type of Assets Owned by Individuals Age 55 and Older

One advantage of both the PSID and SCF relative to many other data sets is their richness of information on the type of assets held by individuals. Using these data, we now analyze the composition of household wealth for elderly individuals.

The two most important sources of wealth for all age groups are home equity and financial assets. Among older households, the percentage with home equity changed little from 1983 to 1989 for the PSID or from 1983 to 1992 for the SCF for all age groups age 55 and above (Chart 2-10A). Median home equity also did not change appreciably during the 1980s for any elderly group or in either data set (Chart 2-10B).[25]

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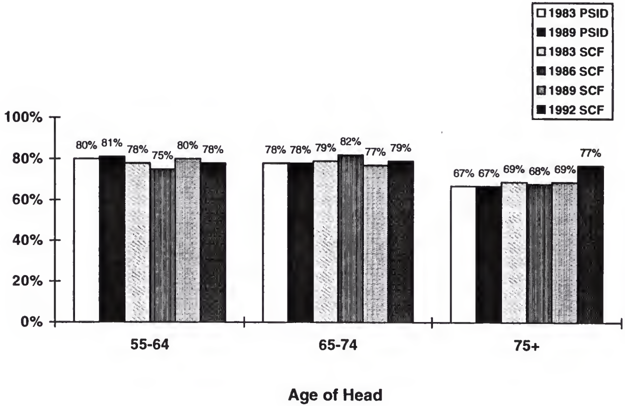
[25] For those age 65 to 74 and 75+ in the SCF, there was a sharp increase in median home equity from 1989 to 1992. This anomaly may be due to the small size of this group in the SCF in 1992.

Chart 2-10A
The Fraction of Older Households with Home Equity Changed Little During the 1980s: 1983-1989 PSID and 1983-1992 SCF



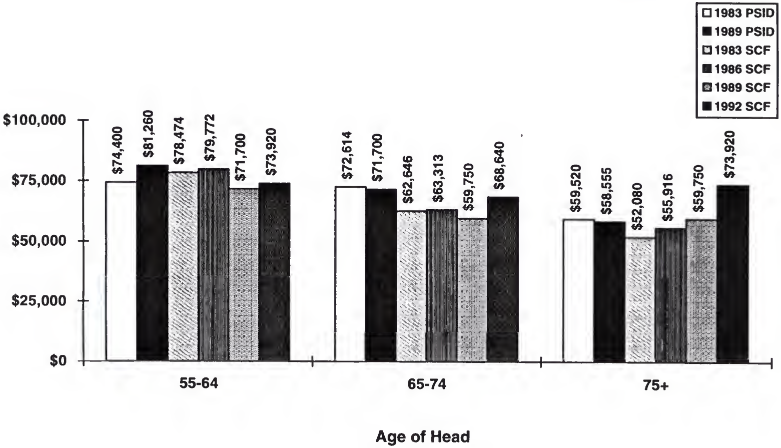


Chart 2-10B

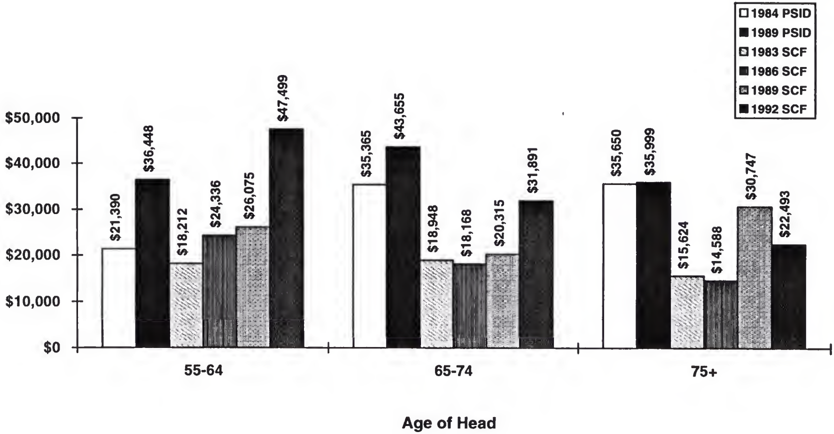
Median Home Equity for Older Households Who Owned Their Homes Was Lower for Those Age 75+ than for Those Under Age 75: 1983-1989 PSID and 1983-1992 SCF (in 1994 Dollars)

Median home equity amounts for each age group agreed quite closely between the PSID and SCF as well. Finally, the median home equity of the oldest age group (those households headed by someone age 75 and above) were somewhat lower than those of the other two older groups in each survey year for both the PSID and SCF.

Unlike for home equity, the fraction of older households with financial assets and the median level of financial assets for those reporting financial assets differed considerably between the SCF and the PSID (Chart 2-4A (2) above). First, the percentage of older households reporting that they had some financial assets was consistently greater for the SCF than for the PSID (Chart 2-4A (2) above). Conversely, the median level of financial assets for household with financial assets tended to be lower for each older age group in the SCF than in the PSID (Chart 2-11). In both surveys, however, there was evidence that both the fraction of older households with financial assets and the median level of financial assets tended to be flat or increase slightly during the 1980s.

There are, of course, many possible explanations for these differences between the two surveys. One possibility is that the more detailed SCF survey probed its respondents more closely, and thus identified more individuals with some financial assets. Those identified by the SCF through this probing very likely could be those households with rather meager financial assets, accounting for the lower median financial asset amounts in the SCF compared to the PSID.

Chart 2-11
Median Financial Asset Estimates for Older Households Differ Considerably Between the PSID and SCF: 1984-1989 PSID and 1983-1992 SCF (in 1994 Dollars)



C. The Correlation Between Income and Assets

It is also possible to relate income to asset measures for individuals in both the PSID and SCF. There are strong, positive relationships between household income and total net worth for both the PSID and SCF (Charts 2-12A and 2-12B). Households with higher incomes also have much higher levels of assets. This is true for both elderly (age 65+) and non-elderly (age 25 to 64) households. For example, elderly households with incomes of less than $10,000 in 1983-84 for the PSID have median total net worth of less than $17,000, one twentieth the median total net worth of elderly households with household incomes of more than $50,000 (over $340,000). Similarly, in 1983 in the SCF, elderly households with incomes of less than $10,000 have median total net worth of $15,000, less than a fortieth of the median (over $630,000) for households with incomes of $50,000 or more.

Another interesting finding is the difference in the relationship between household income and total net worth between the elderly and non-elderly. The elderly have higher median total net asset levels than the non-elderly in both surveys, after controlling for income. For example, in 1983-84 in the PSID, the elderly with household incomes of less than $10,000 have median total net worth of nearly $17,000, while the non-elderly in the same income group have median total net worth of less than $1,000. Similarly, while the non-elderly with household incomes of over $50,000 in 1989 in the PSID have median total net worth of $164,000, the elderly in the same income category have median total net worth almost three times as large ($454,000).

Chart 2-12A
There is a Strong, Positive Relationship Between Household Income and Net Worth: 1983 and 1989 PSID (in 1994 Dollars)

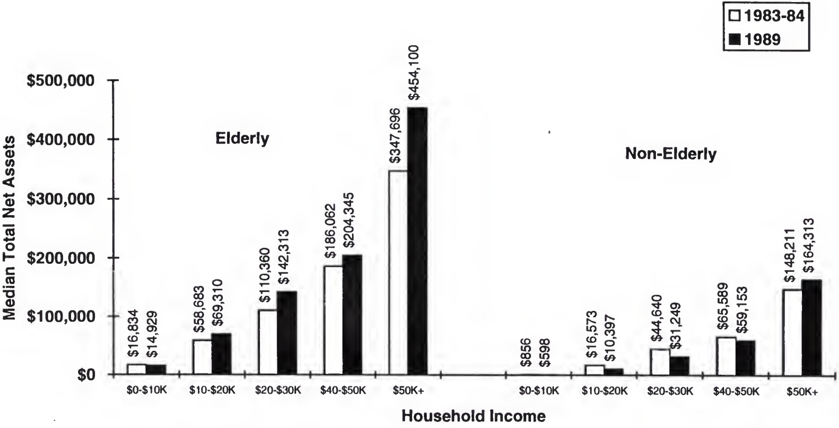
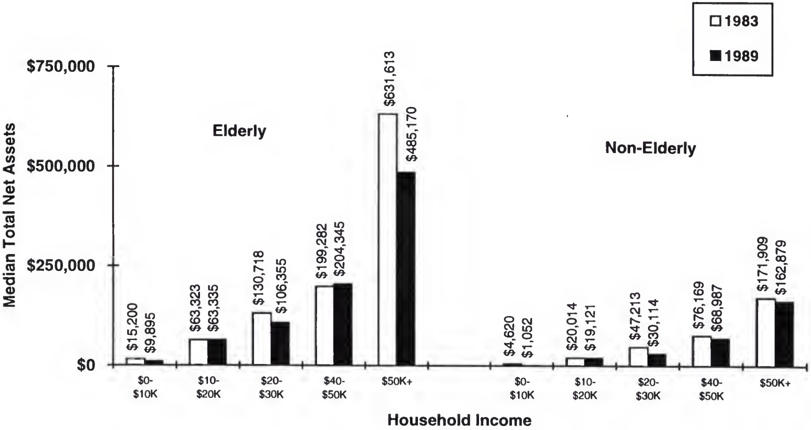


Chart 2-12B
There is a Strong, Positive Relationship Between Household Income and Net Worth: 1983 and 1989 SCF (in 1994 Dollars)



V. Using the PSID and SCF to Estimate the Ability of the Elderly to Purchase Long-Term Care

An important policy issue in this project is whether the elderly have the means to finance their long-term care, either directly or through the purchase of long-term care insurance. Although the income and wealth group measures presented here suggest that many of the elderly could afford long-term care insurance or could finance their long-term care, the economic situation of the "typical" elderly household that incurs long-term care costs, or the household that has a high probability of incurring such costs, may be markedly different than the "typical" elderly household. Both a person's current economic situation and his or her likelihood of incurring a disability are correlated with variables such as past health and past standard of living.

With the onset of a disability, a household may see its level of income drop dramatically. For example, elderly individuals with disabilities will be greatly restricted in their ability to achieve significant income from earnings. Thus, although earnings could be used to purchase long-term care insurance, earnings may not be a viable source of income to pay for long-term care.

Using the PSID, we estimated the number of elderly households which could afford long-term care insurance under various scenarios (see Table 2-4). As with other researchers (e.g., Wiener et al., 1994; Cohen et al., 1992; and Rivlin & Wiener, 1988) we assumed that a household would afford long-term care insurance if it met certain asset and income level criteria. Wiener et al. and Rivlin & Wiener assumed the elderly household would purchase a policy if they had at least $10,000 in nonhousing assets and could afford it for less than five percent of household income. Cohen et al. assume an elderly household would spend from 2.5 percent to 10 percent of household income and have at least $10,000 in nonhousing assets. The cost of the insurance policies used in these studies varies, but are considered to be moderate to high-end policies. Wiener et al. and Rivlin & Wiener estimate between 10 and 21 percent of elderly age 67+ could afford a policy; Cohen et al. estimate 42 percent of the elderly could afford a policy. For married couples, Cohen et al. assume that if the household cannot afford two policies, they will still purchase one.

Coronel and Fulton (1995) report that in 1993 the average policy with inflation cost approximately $630 per year for someone age 50, but the same policy cost approximately $1,452 per year if the policy was purchased at age 65. If the same policy were purchased at age 79, the cost would be approximately $5,076 per year. Our analysis varies the cost of a premium from $1,500 to $2,500.

Table 2-5
Percent of Elderly Households Who Could Afford LTC Insurance if up to Five Percent of Total Household Income Could be Used to Pay Premiums (in 1994 Dollars)

Criteria		**1983**	**1989**
Total Net Worth Excluding Home Equity at Least	Annual Cost of Premium per Person	Percent of Households	Percent of Households
$15,000	$1,500	11-15%	10-14%
$15,000	$2,000	5-9%	4-8%
$15,000	$2,500	1-3%	3-5%
$25,000	$1,500	9-15%	10-14%
$25,000	$2,000	4-8%	4-7%
$25,000	$2,500	1-3%	3-5%
$50,000	$1,500	9-14%	9-13%
$50,000	$2,000	4-8%	4-7%
$50,000	$2,500	1-3%	2-4%

Source: Panel Study of Income Dynamics (1983, 1984, 1989, 1990).

In our analysis, we find that 3-5 percent of elderly households can afford high-end policies for all adults in the household, and 10-14 percent of elderly households can afford low-end policies for all adults in the household in 1989. These estimates varied little between 1983 and 1989. One of the criteria on which these estimates are based is that the household have at least $15,000 in nonhousing assets; however, if this asset threshold level is raised to $50,000 the decline in the estimate of those who can afford a policy is minimal. The main factor driving a household's ability to afford LTC premiums was income. This is not surprising; if an elderly household is willing to devote up to 5 percent of total income to purchase LTC insurance, and the annual cost of the premium is $2,000 (in 1994 dollars), then the annual income for that household will be in excess of $80,000 for a household of two, and $40,000 for a household of one. Elderly households with income this high generally have a high net worth.

VI. Conclusions

In this chapter we have presented detailed estimates of the income and wealth of the elderly from the PSID and SCF. Largely, these results are consistent with findings made using other data sources, such as the CPS and SIPP. Both the PSID and SCF have significant strengths. Each data source, particularly the SCF, provides an extremely detailed source of information on the assets held by the elderly (as well as the non-elderly). Larger data sources such as the CPS and SIPP lack these detailed sources of data. The PSID and SCF then can provide a much more accurate picture of the size and type of assets now owned by the elderly. In addition, both the SCF and particularly the PSID are longitudinal, and thus allow one to track income and asset measures through time. Such data are especially valuable when assessing theoretical models explaining consumption and savings behavior, the topic of the next chapter.

We believe that our estimates of incomes and assets for the elderly (and non-elderly) from the PSID and the SCF are broadly consistent with a life cycle model of consumption and savings. In general, both data sets indicated that incomes and assets tended to peak for individuals nearing retirement (i.e., those in the 45 to 54 and

55 to 64 year age groups), while assets and especially incomes were then lower for elderly. In addition, while younger age groups accumulated assets over time, elderly age groups in both the SCF and PSID appeared to be consuming their assets to support more consumption during their retirement years.

The current economic resources of many of the elderly, however, could not support the purchase of long-term care insurance. This is true even for less expensive policies. Unless the elderly are willing and able to devote a large share of their current economic resources for private long-term care insurance, it is likely that the long-term care expenses of the elderly will continue to be borne through a combination of asset spenddown and public support.

CHAPTER THREE: SIMULATION RESULTS

In this chapter, we describe our efforts to design a model predicting changes in the asset holdings of the elderly. This model is a variant of a life cycle savings model that incorporates several precautionary motives for saving. In particular, the model allows individuals to be uncertain about their length of life, but assumes that individuals know with certainty their chances of dying in any given year. In addition, the consumption function used by the model allows individuals to be risk averse.

Using this simulation model, we projected a series of consumption and savings profiles for sample members of the PSID age 60 and above. These profiles incorporate different assumptions about the key parameters of the simulation model (i.e., the growth in real income, the real interest rate, the rate of time discount, and the degree of risk aversion). These profiles produce projections of the level of assets in an ending year (1989).

We compared these projections with actual asset levels in 1989, to determine how well this model accounts for patterns of consumption and savings. In particular, we attempted to identify the "best" version of the model by conducting a grid search across the four parameters of the model. We defined the "best" model as that model that minimized the mean squared prediction error between the model and the actual level of assets in 1989. The features of this model and our simulation results are discussed below.

There are many reasons why a model that accurately predicts changes in the assets of the elderly may be useful for public policy. For example, accurate predictions of the wealth of the elderly coupled with projections of their income provide a better sense of the future economic status of the current elderly.

One measure of the economic status of the elderly is their ability to afford catastrophic expenses, such as the expenses associated with long, uninsured nursing home visits. In the previous chapter, we presented estimates of the number of elderly households in 1983 and 1989 who could pre-fund their potential use of long-term care through purchasing long-term care insurance.

Many of the elderly will not pre-fund these expenses and instead must meet. them through their current resources. Using the sample of elderly individuals from the PSID we used to specify our model, we will conclude this chapter by tabulating how many of these individuals could afford to meet large, unforeseen expenses in 1989 by dipping into their non-housing assets. We will compare these tabulations to the number of individuals who can meet these expenses as predicted by our model. If our model can predict the number of elderly individuals who can meet these large unforeseen expenditures in 1989, our model could be modified to make similar predictions for future elderly cohorts. These predictions for future elderly cohorts could then provide policymakers with another measure of long-term care "financing" gaps in the future.

I. The Model

A. Specifying the Model

Outlined below are the principal features of our simulation model; we provide a fuller technical description of this model in Appendix A. The model begins with the individual's level of non-housing wealth and after-tax non-asset income. The simulation model then converts each individual's non-housing wealth and the expected present value of the individual's future stream of after-tax non-asset income into a lifetime budget.[26] The present value calculation of each individual's future non-asset income depends on:

- the probability of surviving each year in the future;[27]
- the expected rate of growth in non-asset income; and
- the real interest rate (used to discount future income).

Next, we needed to specify the consumption of individuals and married couples each year within the model. This decision depends on:

- the probability of surviving each year in the future;
- the real interest rate (used to discount the value of future consumption);
- the rate of time discount -- i.e., how much did each individual value consumption now versus consumption in the future;
- the degree of risk aversion -- as risk aversion increased, individuals consumed less in the present to retain resources for future consumption;
- the size of the individual's lifetime budget constraint -- individuals with greater lifetime economic resources would consume more.

Depending on these five factors, the model then determines the individual's consumption level in the first year of the simulation. Of these five factors, the last four are allowed to vary; we assume that the probability of death is known and fixed.

In the second year of the simulation, the model projects a new level of non-housing assets (that depends on consumption in the first year), and a new expected present value of the future stream of after-tax non-asset income. The new level of non-housing assets and the expected present value of future non-asset income forms a new lifetime budget for each individual in the second simulation year. The model then uses this new lifetime budget to project consumption in the second year of the simulation. The model continues to iterate in this fashion until the last, end year of the simulation.

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[26] To avoid double-counting economic resources, the model netted out asset income from total family income. The model used after-tax income, because income that was taxed was not available for consumption. The model also assumed that housing wealth was unavailable for consumption.

[27] The simulation model assumed all individuals die by age 120.

B. Technical Issues and Problems

We encountered a series of technical issues and problems in generating our simulations that had to be resolved. First, we needed to select samples of individuals from the PSID to include in the simulations. We began by selecting all heads of household age 60 and over in 1983. From this group, we eliminated individuals using the following criteria:

- the head must have been alive during the entire simulation (from 1983 to 1989) -- we could not compare simulated wealth levels to actual wealth levels in the last year of the simulations unless the individual was alive in that year;[28]
- the gender of the head must have been the same in the first and last years of the simulation;
- the marital status of the head (i.e., married and living with a spouse ,separated, widowed, divorced, or never married) must have been the same in the first and last year of the simulation;[29]
- the head must have reported income and asset levels in the first and last year of the simulation;
- the household must have had non-housing assets of between $0 and $500,000 in the first year of the simulation (1983); and

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[28] It is possible that limiting the sample to survivors may bias the model's estimates. Individuals who survive the six year simulation period may at the outset perceive themselves to have lower mortality rates than the average mortality rate for their age, gender, and racial group. If so, these individuals may decide to save more or consume their assets more slowly to smooth their consumption over their longer expected lifetimes.

[29] It was possible (though unlikely) that some sample members have changed their marital status and then changed back to their original status during the simulation years. For example, a single person might have married, and then become widowed or divorced, during the simulation period.

- the age of the head must have increased with calendar time during the simulation -- i.e., a head age 60 in 1983 in the PSID must have been age 66 in 1989.[30]

The resulting sample included 487 individuals.

Next, we had to select mortality projections to include in the model. We used Bureau of the Census (1988) projections of mortality (middle mortality assumption) for the years 1986 to 1991 by gender and race. The race categories were white and black; we included "other" racial categories in the "black" category when assigning mortality rates. Again, these mortality assumptions are fixed for each version of the model.

Another issue was how to treat married couples. The simulation model was really one of individual, not joint behavior. It is likely that married couples make joint savings and consumption decisions that take into account each spouse's tastes and preferences and risks of death. We used the simplifying assumption that couples would have consumed and saved in the same way as if the head of the household were a single individual. For example, if a couple's head of household is a male age 70, we assumed that the couple consumed and saved in the same way that a single male age 70 with the same lifetime economic resources would have done.

It is not clear how this consumption assumption for married couples may bias the model's estimates. Married couples may decide to consume their resources more rapidly because the rewards of consumption may be higher when both spouses are alive. This suggests that assuming married couples consume at the same rate as single individuals understates the consumption of married couples.

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[30] Actually, this individual could have reported being age 65 to 67 in 1989, because it was possible that individual was interviewed at two different times of the year in 1983 and 1989.

Married couples, however, must allocate their resources to provide for their joint consumption as well as the consumption for a surviving spouse. Typically, the expected length of time at least one spouse will remain alive is longer for a married couple whose head is a given age than the remaining life expectancy for a single individual of the same age and gender as the head of the married couple. Married couples thus must plan to allocate their resources over longer time horizons than single individuals, which could reduce the level of consumption of married couples relative to the level of single individuals. This may offset the more rapid consumption of married couples desiring to consume more when both spouses are alive.

We also faced several data problems. For example, the PSID reported total net worth (assets less liabilities) of each household in 1984 and 1989, and housing assets (the value of a primary residence less any remaining mortgage balance) in each year. We used housing assets in 1983 and 1989 and net worth in 1984 and 1989 to estimate non-housing assets in 1983.

II. Results

A. Overview

To identify the "best" model (the model that minimizes mean squared prediction error), we specified a grid with four values for each of the four key parameters of the model. The resulting four by four by four by four grid included 256 different versions of the model.

The first parameter is the growth of real non-asset income. The observed rate of growth of real non-asset income for this sample of PSID households was 0.4 percent per year from 1983 to 1989. For the grid search, we allowed this growth rate to vary from -5.0 percent to 1.5 percent per year.

The other parameter values used in our grid search reflect the range of estimates of these parameters from the empirical literature. For example, researchers conducting other simulation studies have assumed real interest rates and the rate of time discount to vary from 2.0 to 9.0 percent or more (Hurd, 1990, and Auerbach et al. 1995). For our grid search, we allowed the real interest rate to vary from 2.5 to 10.0 percent per year, but we assumed this real rate of interest to be the same in each year. Estimates of the rate of constant relative risk aversion have varied from 0.7 to 4.0 (Hurd, 1990, Skinner, 1987), and we selected values from one to four for our grid search. Finally, there is less agreement on the rate of time discount for individuals or for elderly individuals in particular; we allowed the rate of time discount to vary from two to six percent per year in our grid search.

B. Findings

1. The Grid Search

The means of the key variables in our PSID simulation sample are included in Table 3-1. The dollar figures are all converted to 1994 dollars using the Consumer Price Index for Urban Consumers (CPI-U). This sample is predominantly white (89 percent), and less than half of the sample household heads are male (40 percent), while half of the sample (52 percent) are married. Mean non-housing wealth for this sample increased from $84,800 to $94,500 from 1983 to 1989, or by 1.8 percent per year.

Table 3-1
Means of Key Variables for the PSID Simulation Sample
(All Figures in 1994 Dollars)

Variable	Mean	Std. Dev.	Minimum	Maximum
Age of Head in 1983	68.5	31.2	60	91
Non-Housing Wealth of Family in 1983	$84,825	$499,435	0	$442,060
Non-Housing Wealth of Family in 1989	$94,474	$617,537	-$8,963	$838,890
Percent of Individuals Where Head is White	89.2%	NA	NA	NA
Percent of Individuals Where Head is Male	40.3%	NA	NA	NA
Percent of Individuals Who Are Married	52.1%	NA	NA	NA
Non-Asset Income of Family in 1983	$23,212	$85,761	$0	$130,212
Non-Asset Income of Family in 1989	$23,781	$88,028	$923	$165,866

Detailed tables at the end of this chapter present the results for the initial set of 256 versions of our model. The results for three versions of our model are presented below (Table 3-2). The first version is the "best" model (the model that minimizes mean square prediction error), while the third is the "worst" model.

The best model is a "corner solution;" three of the four parameter values for the best model are extreme values for that parameter. Specifically, the rate of non-asset income growth for the best model (1.5 percent) is the highest value included in our grid search. Similarly, the real interest rate for the best model (2.5 percent) is the lowest value in our grid search, and the rate of time discount (2.0 percent) is also the lowest value for that parameter in our grid search. Thus, the best model is a model "lying" on one edge of our grid.

If the "best" model is a corner solution, it is possible that a better model lies just inside the edge on which the "best" model is located, or lies outside the grid search area. We deliberately specified a very large grid to limit the possibility that a superior model lies outside the grid search area. We thus decided not to search outside our original grid. To check if a better model exists than our “best” model from the first grid search, we searched over a new, smaller area located inside our first grid. This first model is centered around that model located on the “interior” of our first grid with the lowest mean square prediction error. This is the second entry of Table 3-2, the “best interior” model.

Table 3-2
Selected Results from First Grid Search

Version of Model	Rate of Non-Asset Income Growth	Real Interest Rate	Rate of Time Discount	Degree of Risk Aversion	Mean Square Prediction Error[a]	Mean Predicted Assets in 1989
“Best”	1.50%	2.5%	2.00%	2	0.7614	$100,977
“Best Interior”	-0.67%	5.0%	4.67%	2	0.9126	$129,877
“Worst”	-2.83%	10.0%	2.00%	1	2.0177	$183,557

[a] The mean square prediction errors have been divided by 10 to the tenth power to render these easier to interpret.

Before discussing the second grid search centered on the “best interior” version of the model from our first grid search, it is worthwhile to analyze the results presented in Table 3-2. There is a wide range in the mean square prediction errors across the 256 versions in the first grid search -- the worst model has a mean square prediction error almost three times as large as the “best” model. The “best” model not only has the lowest mean square prediction error, but its mean predicted non-housing assets ($100,977) is also much closer to the actual mean non-housing assets ($94,474) of this sample of PSID individuals than either the best interior ($129,877) or the worst ($183,577) versions of our model.[31]

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[31] The “best” model was not the model that predicted the mean level of non-housing assets in 1989 most accurately. That distinction went to another “corner solution model” with a growth rate of non-asset income of -2.83 percent, a real interest rate of 2.5 percent, a rate of time discount of 3.33 percent, and a degree of relative risk aversion of one. This model’s mean square prediction error was 0.8090, and it predicted mean non-housing assets in 1989 to be $95,096.

The results of the second grid search confirmed that the "best" model from the first grid search was the best model.[32] By this, we mean the model with the lowest mean square prediction error in the second, smaller grid (the "second best" model) was adjacent to the "best" model from the first, larger grid. In addition, the mean square prediction error of the "second best" model was higher (0.7622 versus 0.7614) than that of "best" model. Finally, the predicted mean level of non-housing assets in 1989 of the "second best" model was higher ($118,180 versus $100,977) and more distant from the actual mean level of assets ($94,474) than was that of the "best" model. Our second grid search confirmed that the "best" model was the preferred model contained by our first, broad grid.[33]

2. Using the Best Model

After completing our grid search to identify the "best" model, we then compared the predictions of that model to the actual level of non-housing assets in 1989 of different groups in our PSID sample (Table 3-3). Overall, the "best" model over-predicted the non-housing assets of different elderly groups within our PSID sample. For example, the "best" model on average over-predicted the mean non-housing assets in 1989 of the entire sample by $6,500, or 6.9 percent.

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[32] The detailed results for the second grid search are also presented at the end of this chapter.

[33] To reconfirm these findings, we conducted a third grid search centered around another interior point from our initial grid. Again, the model with the lowest mean square prediction error from this third grid search was adjacent to the "best" model.

Table 3-3
Actual and Predicted Non-Housing Assets in 1989
(Predicted Values Below Actual Values)
(All Figures in 1994 Dollars, Predictions Based on the "Best" Model)

Group	Number in Group	Mean Absolute Deviation	Mean Square Prediction Error[a]	Mean Non-Housing Assets	Percentage of Group with Non-Housing Assets Greater Than:				
					$10,000	$25,000	$50,000	$100,000	$200,000
Entire Sample	487	0.7614	$51,801	$94,474 $100,977	69.2% 98.7%	60.0% 80.2%	45.7% 60.8%	34.4% 36.8%	12.8% 16.4%
Non-Asset Income in 1983									
Less than $10,000	155	0.5258	$30,124	$44,667 $48,015	43.0% 95.2%	31.8% 39.7%	21.8% 23.2%	12.8% 11.7%	5.7% 6.6%
$10,000 to $19,999	136	0.4351	$43,778	$72,353 $82,483	62.3% 100.0%	53.5% 85.9%	37.9% 51.4%	25.6% 25.8%	9.1% 11.7%
$20,000 to $29,999	96	0.5654	$54,147	$103,677 $113,824	80.8% 100.0%	67.7% 100.0%	54.1% 76.8%	40.8% 38.1%	12.9% 15.1%
$30,000+	100	1.5519	$82,014	$164,261 $167,305	94.7% 100.0%	90.8% 100.0%	73.0% 97.7%	62.0% 74.9%	24.5% 33.3%
Non-Asset Income in 1989									
Less than $10,000	148	0.0978	$20,935	$24,675 $35,952	34.6% 96.1%	21.5% 38.6%	11.3% 12.7%	5.2% 6.6%	3.6% 3.4%
$10,000 to $19,999	136	0.2531	$37,692	$52,103 $72,875	64.2% 99.0%	51.2% 86.6%	33.0% 52.5%	18.0% 16.5%	3.7% 8.5%
$20,000 to $29,999	86	1.0268	$62,146	$102,752 $110,823	83.6% 99.9%	76.2% 97.5%	57.5% 83.5%	41.4% 45.7%	10.9% 10.0%
$30,000+	117	1.6454	$85,528	$191,016 $178,986	95.0% 100.0%	91.6% 99.6%	80.2% 96.0%	71.9% 76.7%	30.9% 60.0%

[a] The entries in this column have been divided by 10 to the tenth power.

Table 3-3 (continued)
Actual and Predicted Non-Housing Assets in 1989
(Predicted Values Below Actual Values in Parentheses)
(All Figures in 1994 Dollars, Predictions Based on the "Best" Model)

Group	Number in Group	Mean Absolute Deviation	Mean Square Prediction Error[a]	Mean Non-Housing Assets	Percentage of Group with Non-Housing Assets Greater Than:				
					$10,000	$25,000	$50,000	$100,000	$200,000
Non-Housing Assets in 1983									
Less than $5,000	200	$21,331	0.0654	$5,067 $24,968	12.1% 94.8%	4.7% 32.7%	1.3% 9.0%	1.1% 0.0%*	0.0% 0.0%
$5,000 to $24,999	77	$29,189	0.1401	$27,781 $39,770	61.6% 100.0%	32.7% 79.5%	11.1% 19.2%	7.9% 1.6%	0.0% 0.0%
$25,000 to $99,999	100	$50,268	0.8334	$82,626 $84,638	91.7% 100.0%	83.8% 100.0%	53.1% 89.7%	28.0% 25.8%	4.3% 1.1%
$100,000 to $199,999	60	$68,558	1.0225	$165,369 $161,007	100.0% 100.0%	97.8% 100.0%	95.0% 100.0%	73.9% 93.9%	24.1% 16.5%
$200,000+	50	$115,460	2.2693	$271,498 $269,520	98.2% 100.0%	98.2% 100.0%	93.9% 100.0%	91.8% 100.0%	54.0% 93.6%
Age of Head in 1983									
60 to 64	178	$50,639	0.7215	$87,216 $99,097	68.2% 97.0%	63.0% 84.8%	39.9% 61.2%	30.7% 37.1%	10.5% 14.6%
65 to 69	138	$52,217	0.5988	$101,480 $110,098	74.8% 99.7%	62.6% 80.4%	54.0% 62.7%	41.0% 38.3%	13.6% 22.0%
70+	171	$52,471	0.8932	$95,945 $96,252	66.1% 99.5%	56.0% 76.4%	45.1% 58.7%	33.3% 35.6%	14.2% 14.4%
Marital Status									
Married and Living with Spouse	238	$64,801	0.9034	$131,298 $137,799	86.0% 99.9%	79.1% 94.9%	64.4% 82.7%	49.8% 56.9%	18.7% 25.1%
Single Females	203	$35,177	0.4760	$50,611 $58,201	50.0% 98.3%	38.7% 62.5%	23.4% 34.1%	17.6% 12.7%	6.2% 6.2%
Single Males	46	$49,898	1.2581	$72,988 $74,094	55.6% 92.4%	42.0% 72.1%	34.6% 50.8%	22.6% 25.7%	7.6% 10.4%

[a] The entries in this column have been divided by 10 to the tenth power.

* Less than 0.1 percent.

In addition, the "best" model over-predicted the fraction of this sample with non-housing assets in 1989 of more than $10,000, $25,000, $50,000, $100,000, or $200,000. The "best" model has the most difficulty estimating the fraction of the entire sample with non-housing assets in 1989 of $10,000 or more. The actual percentage of the population with assets in excess of $10,000 was 69.2 percent, while the best model predicted 98.7 percent had non-housing assets in excess of $10,000.

The "best" model had the same difficulties predicting the distribution of non-housing assets for different groups within our sample. For instance, the "best" model over-predicted the mean non-housing assets in 1989 of groups defined by family income in 1983 or 1989, the level of non-housing assets in 1983, the age of the head, and for groups defined by marital status and gender. In addition, the best model also over-estimated the fraction of these groups with non-housing assets in 1989 in excess of $10,000, $25,000, $50,000, $100,000, and $200,000 in almost all cases.

We were disturbed by this poor performance of the "best" model and attempted to account for its lack of predictive accuracy. After inspecting the individual mean square prediction errors of several different versions of our model, a pattern began to emerge. There were a small number of individuals in our sample with extremely high non-asset holdings in 1989 -- for example, 13 had non-housing assets of more than $400,000 in 1989. The individual square prediction errors for this group with very high non-housing assets in 1989 tended to be quite high for most models.[34] The very high individual square prediction errors for those with the highest non-housing assets in 1989 thus greatly affected our results. To minimize mean square prediction error, models needed to strike a balance between predicting the non-housing assets of those with very high non-housing assets in 1989 and predicting the non-housing assets of those with smaller holdings in 1989. The resulting tendency was to over-predict the non-housing assets of those with smaller holdings in 1989 and under-predict the non-housing assets of the very wealthiest individuals.

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[34] For the "best" model, the individual square prediction errors for the group with non-housing assets in 1989 of $400,000 or more were as high as 10 to 30 -- 13 to 40 times the mean square prediction error for our entire sample.

3. Using the Model for Long-Term Care Policy

The "best" model has obvious shortcomings for aiding the long-term care policy debate. Because the "best" model consistently over-predicts the fraction of elderly individuals with non-housing assets in excess of certain thresholds (e.g., $10,000, $25,000, etc.), it will also over-estimate the fraction of elderly households who can afford to meet large unexpected catastrophic expenses, such as those associated with a nursing home visit, from current non-housing resources. As a consequence, the "best" model or other models of its type may underestimate long-term care "financing gaps" in the future.

We decided to vary our definition of a "best" model in an attempt to identify a version of our model that is better able to predict the distribution of non-housing assets in 1989. At the same time, we would also be identifying a model better suited to estimating long-term care financing gaps. We began this search by deleting those individuals with non-housing assets in 1989 of $400,000 or more, and conducting a new grid search for this smaller sample.

The results of this new grid search were disappointing. The version of the model with the lowest mean square error after eliminating individuals with non-housing assets of $400,000 or more in 1989 performed even more poorly than our "best" model. In particular, the model identified by the grid search now over-predicted the mean non-housing assets in 1989 of the entire sample by $12,400, or 13.2 percent. In addition, this model over-predicted the fraction of individuals with non-housing assets in 1989 over $10,000, $25,000, $50,000, $100,000, or $200,000 by even wider margins than the "best" model.

III. Conclusions

In this chapter, we describe a model we designed that predicts changes in the non-housing asset holdings of the elderly. This model is a variant of a life cycle model that incorporates a precautionary motive for savings, uncertainty about the length of life, and risk aversion. Using a sample of individuals from the PSID age 60 and above in 1983, we then used our model to simulate changes in non-housing assets for this sample from 1983 to 1989.

Next, we estimated a series of versions of this model in a grid search across the key parameters within our model. By comparing the predicted non-housing assets in 1989 from each model with the actual non-housing assets of this sample from the PSID, we then identified a "best" model. This best model minimized the mean square prediction error for non-housing assets in 1989 across the entire sample.

We then used this "best" model to predict the distribution of non-housing assets in 1989 for various groups within our PSID sample. Overall, the "best" model consistently over-predicted the non-housing asset holdings in different groups within our sample. Thus, it is likely that a model similar to our "best" model would over-estimate the fraction of elderly households in the future who could afford to meet large, catastrophic expenses, such as those associated with nursing home visits, out of their current non-housing assets.

Our efforts to identify another version of our model that is better able to predict changes in non-housing assets from 1983 to 1989 for most elderly individuals within the PSID was not successful. Our current belief is that the model described here is not sufficiently complex to allow policy makers to make useful estimates of the distribution of non-housing assets of the elderly in the future, and by inference, of the size of future long-term care financing gaps.

It is possible that some extensions of our simulation model would improve its ability to account for changes in the non-housing assets of the elderly. For example, the model might incorporate additional precautionary motives for saving (e.g., allowing households to "target save" some minimum level of assets for insurance against the risk of unexpected catastrophic expenses) or a bequest motive. Other possibilities include: (1) allowing individuals who die before the simulation concludes to be included in the model; (2) allowing the savings and consumption decisions of married couple and single households to differ; (3) allowing the key parameters of the model to differ across household types; (4) extending the model to account for savings and consumption behavior throughout an individual's life cycle.

These possible extensions to the model may all hold some promise for improving the ability of simulation models of this type to first replicate past changes in the assets of the elderly, and more importantly, to then forecasts the assets of future elderly cohorts. Developing any of these extensions, however, would entail a great deal of further careful consideration and detailed effort. We expect, however, that any improved resulting model will allow for a considerable degree of heterogeneity in the savings and consumption decisions of different elderly groups and cohorts. Simple models of consumption and savings that treat the elderly as a homogenous groups have little chance of successfully forecasting the assets of the elderly in the future.

Table 3-4
Detailed Simulation Results from the Grid Search

Growth of Non-Asset Income	Real Interest Rate	Rate of Time Discount	Constant Relative Risk Aversion	Mean Square Prediction Error	Mean Predicted Non-Housing Assets in 1989
-5.000%	2.500%	2.000%	1	0.8669	$114,634
-5.000%	2.500%	2.000%	2	1.0249	$138,322
-5.000%	2.500%	2.000%	3	1.1510	$148,935
-5.000%	2.500%	2.000%	4	1.2405	$155,104
-5.000%	2.500%	3.333%	1	0.8310	$105,578
-5.000%	2.500%	3.333%	2	0.9647	$133,117
-5.000%	2.500%	3.333%	3	1.0958	$145,254
-5.000%	2.500%	3.333%	4	1.1921	$152,256
-5.000%	2.500%	4.667%	1	0.8246	$ 96,808
-5.000%	2.500%	4.667%	2	0.9146	$127,993
-5.000%	2.500%	4.667%	3	1.0459	$141,615
-5.000%	2.500%	4.667%	4	1.1469	$149,435
-5.000%	2.500%	6.000%	1	0.8450	$ 88,370
-5.000%	2.500%	6.000%	2	0.8745	$122,962
-5.000%	2.500%	6.000%	3	1.0011	$138,024
-5.000%	2.500%	6.000%	4	1.1049	$146,646
-5.000%	5.000%	2.000%	1	1.0854	$138,336
-5.000%	5.000%	2.000%	2	1.2275	$152,716
-5.000%	5.000%	2.000%	3	1.3215	$159,452
-5.000%	5.000%	2.000%	4	1.3856	$163,453
-5.000%	5.000%	3.333%	1	0.9791	$129,340
-5.000%	5.000%	3.333%	2	1.1447	$147,577
-5.000%	5.000%	3.333%	3	1.2551	$155,804
-5.000%	5.000%	3.333%	4	1.3303	$160,613
-5.000%	5.000%	4.667%	1	0.9037	$120,629
-5.000%	5.000%	4.667%	2	1.0727	$142,546
-5.000%	5.000%	4.667%	3	1.1944	$152,219
-5.000%	5.000%	4.667%	4	1.2787	$157,818
-5.000%	5.000%	6.000%	1	0.8569	$112,248
-5.000%	5.000%	6.000%	2	1.0108	$137,630
-5.000%	5.000%	6.000%	3	1.1392	$148,701
-5.000%	5.000%	6.000%	4	1.2305	$155,070
-5.000%	7.500%	2.000%	1	1.4602	$160,654
-5.000%	7.500%	2.000%	2	1.4813	$166,298
-5.000%	7.500%	2.000%	3	1.5187	$169,438
-5.000%	7.500%	2.000%	4	1.5479	$171,414
-5.000%	7.500%	3.333%	1	1.2819	$151,403
-5.000%	7.500%	3.333%	2	1.3747	$161,096
-5.000%	7.500%	3.333%	3	1.4404	$165,769
-5.000%	7.500%	3.333%	4	1.4855	$168,568

Table 3-4 (continued)
Detailed Simulation Results from the Grid Search

Growth of Non-Asset Income	Real Interest Rate	Rate of Time Discount	Constant Relative Risk Aversion	Mean Square Prediction Error	Mean Predicted Non-Housing Assets in 1989
-5.000%	7.500%	4.667%	1	1.1380	$142,446
-5.000%	7.500%	4.667%	2	1.2798	$156,024
-5.000%	7.500%	4.667%	3	1.3683	$162,181
-5.000%	7.500%	4.667%	4	1.4271	$165,780
-5.000%	7.500%	6.000%	1	1.0265	$133,829
-5.000%	7.500%	6.000%	2	1.1962	$151,088
-5.000%	7.500%	6.000%	3	1.3023	$158,674
-5.000%	7.500%	6.000%	4	1.3726	$163,048
-5.000%	10.000%	2.000%	1	1.9995	$182,759
-5.000%	10.000%	2.000%	2	1.7856	$179,407
-5.000%	10.000%	2.000%	3	1.7399	$179,001
-5.000%	10.000%	2.000%	4	1.7245	$179,028
-5.000%	10.000%	3.333%	1	1.7385	$173,017
-5.000%	10.000%	3.333%	2	1.6525	$174,052
-5.000%	10.000%	3.333%	3	1.6487	$175,274
-5.000%	10.000%	3.333%	4	1.6546	$176,162
-5.000%	10.000%	4.667%	1	1.5176	$163,586
-5.000%	10.000%	4.667%	2	1.5328	$168,849
-5.000%	10.000%	4.667%	3	1.5645	$171,641
-5.000%	10.000%	4.667%	4	1.5892	$173,362
-5.000%	10.000%	6.000%	1	1.3349	$154,511
-5.000%	10.000%	6.000%	2	1.4259	$163,801
-5.000%	10.000%	6.000%	3	1.4870	$168,102
-5.000%	10.000%	6.000%	4	1.5279	$170,626
-2.833%	2.500%	2.000%	1	0.8170	$105,487
-2.833%	2.500%	2.000%	2	0.9481	$132,325
-2.833%	2.500%	2.000%	3	1.0763	$144,361
-2.833%	2.500%	2.000%	4	1.1712	$151,364
-2.833%	2.500%	3.333%	1	0.8090	$ 95,096
-2.833%	2.500%	3.333%	2	0.8912	$126,351
-2.833%	2.500%	3.333%	3	1.0196	$140,137
-2.833%	2.500%	3.333%	4	1.1199	$148,095
-2.833%	2.500%	4.667%	1	0.8389	$ 85,035
-2.833%	2.500%	4.667%	2	0.8476	$120,472
-2.833%	2.500%	4.667%	3	0.9697	$135,962
-2.833%	2.500%	4.667%	4	1.0727	$144,859
-2.833%	2.500%	6.000%	1	0.9031	$ 75,359
-2.833%	2.500%	6.000%	2	0.8166	$114,701
-2.833%	2.500%	6.000%	3	0.9264	$131,841
-2.833%	2.500%	6.000%	4	1.0297	$141,657

Table 3-4 (continued)
Detailed Simulation Results from the Grid Search

Growth of Non-Asset Income	Real Interest Rate	Rate of Time Discount	Constant Relative Risk Aversion	Mean Square Prediction Error	Mean Predicted Non-Housing Assets in 1989
-2.833%	5.000%	2.000%	1	1.0207	$133,934
-2.833%	5.000%	2.000%	2	1.1674	$149,526
-2.833%	5.000%	2.000%	3	1.2668	$156,849
-2.833%	5.000%	2.000%	4	1.3349	$161,203
-2.833%	5.000%	3.333%	1	0.9185	$123,966
-2.833%	5.000%	3.333%	2	1.0823	$143,834
-2.833%	5.000%	3.333%	3	1.1972	$152,807
-2.833%	5.000%	3.333%	4	1.2765	$158,057
-2.833%	5.000%	4.667%	1	0.8536	$114,317
-2.833%	5.000%	4.667%	2	1.0101	$138,262
-2.833%	5.000%	4.667%	3	1.1344	$148,837
-2.833%	5.000%	4.667%	4	1.2223	$154,962
-2.833%	5.000%	6.000%	1	0.8230	$105,038
-2.833%	5.000%	6.000%	2	0.9501	$132,819
-2.833%	5.000%	6.000%	3	1.0781	$144,941
-2.833%	5.000%	6.000%	4	1.1723	$151,918
-2.833%	7.500%	2.000%	1	1.4245	$159,340
-2.833%	7.500%	2.000%	2	1.4485	$165,122
-2.833%	7.500%	2.000%	3	1.4887	$168,385
-2.833%	7.500%	2.000%	4	1.5198	$170,448
-2.833%	7.500%	3.333%	1	1.2372	$149,347
-2.833%	7.500%	3.333%	2	1.3364	$159,507
-2.833%	7.500%	3.333%	3	1.4062	$164,425
-2.833%	7.500%	3.333%	4	1.4540	$167,377
-2.833%	7.500%	4.667%	1	1.0896	$139,675
-2.833%	7.500%	4.667%	2	1.2377	$154,033
-2.833%	7.500%	4.667%	3	1.3308	$160,553
-2.833%	7.500%	4.667%	4	1.3927	$164,368
-2.833%	7.500%	6.000%	1	0.9793	$130,373
-2.833%	7.500%	6.000%	2	1.1518	$148,707
-2.833%	7.500%	6.000%	3	1.2622	$156,770
-2.833%	7.500%	6.000%	4	1.3358	$161,421
-2.833%	10.000%	2.000%	1	2.0117	$183,557
-2.833%	10.000%	2.000%	2	1.7848	$179,726
-2.833%	10.000%	2.000%	3	1.7369	$179,184
-2.833%	10.000%	2.000%	4	1.7208	$179,154
-2.833%	10.000%	3.333%	1	1.7335	$173,225
-2.833%	10.000%	3.333%	2	1.6441	$174,051
-2.833%	10.000%	3.333%	3	1.6408	$175,237
-2.833%	10.000%	3.333%	4	1.6474	$176,118

Table 3-4 (continued)
Detailed Simulation Results from the Grid Search

Growth of Non-Asset Income	Real Interest Rate	Rate of Time Discount	Constant Relative Risk Aversion	Mean Square Prediction Error	Mean Predicted Non-Housing Assets in 1989
-2.833%	10.000%	4.667%	1	1.4999	$163,224
-2.833%	10.000%	4.667%	2	1.5184	$168,539
-2.833%	10.000%	4.667%	3	1.5525	$171,390
-2.833%	10.000%	4.667%	4	1.5787	$173,153
-2.833%	10.000%	6.000%	1	1.3088	$153,604
-2.833%	10.000%	6.000%	2	1.4066	$163,192
-2.833%	10.000%	6.000%	3	1.4714	$167,642
-2.833%	10.000%	6.000%	4	1.5147	$170,257
-0.667%	2.500%	2.000%	1	0.8009	$ 89,529
-0.667%	2.500%	2.000%	2	0.8410	$120,950
-0.667%	2.500%	2.000%	3	0.9527	$135,060
-0.667%	2.500%	2.000%	4	1.0449	$143,276
-0.667%	2.500%	3.333%	1	0.8600	$ 77,230
-0.667%	2.500%	3.333%	2	0.8014	$113,878
-0.667%	2.500%	3.333%	3	0.9016	$130,057
-0.667%	2.500%	3.333%	4	0.9949	$139,404
-0.667%	2.500%	4.667%	1	0.9707	$ 65,326
-0.667%	2.500%	4.667%	2	0.7798	$106,917
-0.667%	2.500%	4.667%	3	0.8598	$125,112
-0.667%	2.500%	4.667%	4	0.9507	$135,570
-0.667%	2.500%	6.000%	1	1.1271	$ 53,881
-0.667%	2.500%	6.000%	2	0.7754	$100,086
-0.667%	2.500%	6.000%	3	0.8269	$120,233
-0.667%	2.500%	6.000%	4	0.9119	$131,778
-0.667%	5.000%	2.000%	1	0.9206	$125,346
-0.667%	5.000%	2.000%	2	1.0581	$142,653
-0.667%	5.000%	2.000%	3	1.1579	$150,803
-0.667%	5.000%	2.000%	4	1.2279	$155,658
-0.667%	5.000%	3.333%	1	0.8389	$114,038
-0.667%	5.000%	3.333%	2	0.9774	$136,196
-0.667%	5.000%	3.333%	3	1.0890	$146,219
-0.667%	5.000%	3.333%	4	1.1688	$152,089
-0.667%	5.000%	4.667%	1	0.8040	$103,097
-0.667%	5.000%	4.667%	2	0.9126	$129,877
-0.667%	5.000%	4.667%	3	1.0284	$141,716
-0.667%	5.000%	4.667%	4	1.1150	$148,577
-0.667%	5.000%	6.000%	1	0.8119	$ 92,580
-0.667%	5.000%	6.000%	2	0.8630	$123,706
-0.667%	5.000%	6.000%	3	0.9760	$137,298
-0.667%	5.000%	6.000%	4	1.0663	$145,125

Table 3-4 (continued)
Detailed Simulation Results from the Grid Search

Growth of Non-Asset Income	Real Interest Rate	Rate of Time Discount	Constant Relative Risk Aversion	Mean Square Prediction Error	Mean Predicted Non-Housing Assets in 1989
-0.667%	7.500%	2.000%	1	1.3380	$155,380
-0.667%	7.500%	2.000%	2	1.3644	$161,369
-0.667%	7.500%	2.000%	3	1.4070	$164,804
-0.667%	7.500%	2.000%	4	1.4399	$166,989
-0.667%	7.500%	3.333%	1	1.1481	$144,399
-0.667%	7.500%	3.333%	2	1.2501	$155,202
-0.667%	7.500%	3.333%	3	1.3225	$160,456
-0.667%	7.500%	3.333%	4	1.3723	$163,617
-0.667%	7.500%	4.667%	1	1.0053	$133,775
-0.667%	7.500%	4.667%	2	1.1515	$149,192
-0.667%	7.500%	4.667%	3	1.2462	$156,206
-0.667%	7.500%	4.667%	4	1.3099	$160,313
-0.667%	7.500%	6.000%	1	0.9065	$123,561
-0.667%	7.500%	6.000%	2	1.0679	$143,345
-0.667%	7.500%	6.000%	3	1.1778	$152,053
-0.667%	7.500%	6.000%	4	1.2525	$157,079
-0.667%	10.000%	2.000%	1	1.9759	$182,656
-0.667%	10.000%	2.000%	2	1.7373	$178,213
-0.667%	10.000%	2.000%	3	1.6881	$177,501
-0.667%	10.000%	2.000%	4	1.6720	$177,397
-0.667%	10.000%	3.333%	1	1.6820	$171,561
-0.667%	10.000%	3.333%	2	1.5907	$172,125
-0.667%	10.000%	3.333%	3	1.5884	$173,268
-0.667%	10.000%	3.333%	4	1.5959	$174,143
-0.667%	10.000%	4.667%	1	1.4389	$160,824
-0.667%	10.000%	4.667%	2	1.4608	$166,213
-0.667%	10.000%	4.667%	3	1.4973	$169,144
-0.667%	10.000%	4.667%	4	1.5252	$170,964
-0.667%	10.000%	6.000%	1	1.2441	$150,502
-0.667%	10.000%	6.000%	2	1.3467	$160,480
-0.667%	10.000%	6.000%	3	1.4144	$165,126
-0.667%	10.000%	6.000%	4	1.4595	$167,860
1.500%	2.500%	2.000%	1	0.9641	$ 62,718
1.500%	2.500%	2.000%	2	0.7614	$100,977
1.500%	2.500%	2.000%	3	0.8078	$118,180
1.500%	2.500%	2.000%	4	0.8745	$128,204
1.500%	2.500%	3.333%	1	1.1782	$ 47,623
1.500%	2.500%	3.333%	2	0.7726	$ 92,291
1.500%	2.500%	3.333%	3	0.7809	$112,033
1.500%	2.500%	3.333%	4	0.8379	$123,446

Table 3-4 (continued)
Detailed Simulation Results from the Grid Search

Growth of Non-Asset Income	Real Interest Rate	Rate of Time Discount	Constant Relative Risk Aversion	Mean Square Prediction Error	Mean Predicted Non-Housing Assets in 1989
1.500%	2.500%	4.667%	1	1.4666	$ 33,020
1.500%	2.500%	4.667%	2	0.8101	$ 83,744
1.500%	2.500%	4.667%	3	0.7674	$105,959
1.500%	2.500%	4.667%	4	0.8096	$118,735
1.500%	2.500%	6.000%	1	1.8199	$ 18,985
1.500%	2.500%	6.000%	2	0.8724	$ 75,357
1.500%	2.500%	6.000%	3	0.7668	$ 99,967
1.500%	2.500%	6.000%	4	0.7892	$114,077
1.500%	5.000%	2.000%	1	0.8102	$110,225
1.500%	5.000%	2.000%	2	0.9059	$130,024
1.500%	5.000%	2.000%	3	0.9937	$139,375
1.500%	5.000%	2.000%	4	1.0590	$144,953
1.500%	5.000%	3.333%	1	0.7849	$ 97,027
1.500%	5.000%	3.333%	2	0.8451	$122,486
1.500%	5.000%	3.333%	3	0.9349	$134,022
1.500%	5.000%	3.333%	4	1.0058	$140,785
1.500%	5.000%	4.667%	1	0.8214	$ 84,263
1.500%	5.000%	4.667%	2	0.8053	$115,111
1.500%	5.000%	4.667%	3	0.8870	$128,765
1.500%	5.000%	4.667%	4	0.9595	$136,685
1.500%	5.000%	6.000%	1	0.9135	$ 71,999
1.500%	5.000%	6.000%	2	0.7851	$107,910
1.500%	5.000%	6.000%	3	0.8495	$123,609
1.500%	5.000%	6.000%	4	0.9198	$132,655
1.500%	7.500%	2.000%	1	1.1887	$147,353
1.500%	7.500%	2.000%	2	1.2168	$153,661
1.500%	7.500%	2.000%	3	1.2609	$157,348
1.500%	7.500%	2.000%	4	1.2948	$159,707
1.500%	7.500%	3.333%	1	1.0109	$135,024
1.500%	7.500%	3.333%	2	1.1079	$146,740
1.500%	7.500%	3.333%	3	1.1794	$152,469
1.500%	7.500%	3.333%	4	1.2291	$155,924
1.500%	7.500%	4.667%	1	0.8910	$123,102
1.500%	7.500%	4.667%	2	1.0181	$139,997
1.500%	7.500%	4.667%	3	1.1078	$147,701
1.500%	7.500%	4.667%	4	1.1697	$152,218
1.500%	7.500%	6.000%	1	0.8246	$111,646
1.500%	7.500%	6.000%	2	0.9462	$133,440
1.500%	7.500%	6.000%	3	1.0457	$143,043
1.500%	7.500%	6.000%	4	1.1161	$148,590

Table 3-4 (continued)
Detailed Simulation Results from the Grid Search

Growth of Non-Asset Income	Real Interest Rate	Rate of Time Discount	Constant Relative Risk Aversion	Mean Square Prediction Error	Mean Predicted Non-Housing Assets in 1989
1.500%	10.000%	2.000%	1	1.8708	$179,159
1.500%	10.000%	2.000%	2	1.6252	$173,925
1.500%	10.000%	2.000%	3	1.5768	$172,996
1.500%	10.000%	2.000%	4	1.5618	$172,799
1.500%	10.000%	3.333%	1	1.5663	$167,056
1.500%	10.000%	3.333%	2	1.4766	$167,291
1.500%	10.000%	3.333%	3	1.4765	$168,386
1.500%	10.000%	3.333%	4	1.4854	$169,255
1.500%	10.000%	4.667%	1	1.3214	$155,350
1.500%	10.000%	4.667%	2	1.3472	$160,851
1.500%	10.000%	4.667%	3	1.3859	$163,894
1.500%	10.000%	4.667%	4	1.4151	$165,795
1.500%	10.000%	6.000%	1	1.1324	$144,101
1.500%	10.000%	6.000%	2	1.2357	$154,608
1.500%	10.000%	6.000%	3	1.3044	$159,521
1.500%	10.000%	6.000%	4	1.3504	$162,416

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APPENDIX A: SPECIFYING THE SIMULATION MODEL

The model begins with the non-housing assets (K_0) and after-tax non-asset income (Y_0) of each individual (head of household). Assets are assumed to earn a fixed, after-tax rate of return each year, the real interest rate r. After-tax non-asset income increases at the fixed annual rate of g percent. Next, each individual age a in the first year of the simulation has a probability p^a_t of surviving t years in the future. We assume all individuals die by age 120. These assumptions imply the following lifetime budget constraint faced by each individual in the first year (t = 0) of the simulation:

$$B_0 = (1+r) * K_0 + Y_0 \sum_{t=0}^{119-a} p^a{}_t * (\frac{1+g}{1+r})^t$$

Each individual must then decide how to consume his or her lifetime budget constraint. That is, the individual must select a level of consumption in each year. We assume that each individual's utility function is time separable; this means that an individual's consumption in one year does not affect that individual's consumption in any future year. In addition, we assume that all individuals have the same rate of time discount -- i.e., the value (utility) of consumption in each future year t (C_t) is discounted as the constant rate of δ percent per year. Each individual in year t = 0 must maximize:

$$\sum_{t=0}^{119-a} \frac{p^a{}_t * U(C_t)}{(1+\delta)^t}$$

subject to the following constraint:

$$\sum_{t=0}^{119-a} C_t * (1+r)^t = B_0$$

The solution to the preceding optimization equation depends on the utility function, $U(C_t)$. To incorporate risk aversion into the model, we assume the utility function has a constant rate of relative risk aversion:

$$U(C_t) = \frac{C_t^{1-\gamma}}{1-\gamma}$$

Note that the rate of relative risk aversion of any utility function is equal to:

$$-(C_t)*\frac{(\frac{\partial^2 U}{\partial C_t^2})}{(\frac{\partial U}{\partial C_t})}$$

which implies the rate of relative risk aversion of the previous function is equal to γ.

Given this utility function, the optimization problem may be solved using Kuhn-Tucker methods. The problem is to solve the following constrained optimization equation:

$$Max \sum_{t=0}^{119-a} p^a{}_t*\frac{C_t^{1-\gamma}}{1-\gamma}*\frac{1}{(1+r)^t}+\lambda*(B_0-\sum_{t=0}^{119-a}\frac{C_t}{(1+r)^t})$$

where λ is a Langrangean multiplier.

Differentiating the previous expression with respect to C_0 (consumption in the first period) yields the following expression:

$$p^a{}_0 \cdot C_0^{-\gamma}-\lambda=0\Rightarrow\lambda=p^a{}_0\cdot C_0^{-\gamma}$$

Similarly, differentiating with respect to C_t (consumption in period t) for all t yields the following expression:

$$\frac{p^a{}_t*C_t^{-\gamma}}{(1+\delta)^t}=\frac{\lambda}{(1+r)^t}=\frac{p^a{}_0*C_0^{-\gamma}}{(1+r)^t}$$

The previous expression can then be solved for C_t in the following way:

$$C_t=(\frac{p^a{}_t}{p^a{}_0})^{\frac{1}{\gamma}}*(\frac{1+r}{1+\delta})^{\frac{t}{\gamma}}*C_0$$

To solve for C_0 and the other C_t, we now use the budget constraint:

$$\sum_{t=0}^{119-a}\frac{C_t}{(1+r)^t}=B_0\Rightarrow\sum_{t=0}^{119-a}(\frac{p^a{}_t}{p^a{}_0})^{\frac{1}{\gamma}}*(\frac{1+r}{1+\delta})^{\frac{t}{\gamma}}*\frac{C_0}{(1+r)^t}=B_0$$

For simplicity, call the summation preceding C_0 in the previous expression A. This implies that:

$$C_0 = \frac{B}{A}$$

We can then use this expression for C_0 and the equation above relating C_t to C_0 to calculate each C_t.

APPENDIX B: INCOME AND ASSET TABLES

LIST OF TABLES

Income Estimates from the Panel Study of Income Dynamics

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Table 2
Sources of Household Income and the Median Amount Received by Households With Source by Age of Head of Household: 1986

Table 3
Sources of Household Income and the Median Amount Received by Households With Source by Age of Head of Household: 1989

Table 4
Percent of Households Receiving Social Security Income and the Median Amount They Received by Age of Head of Household: 1983-1989

Table 5
Household Income Distribution by Age of Head of Household: 1983

Table 6
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(in 1994 Dollars)

		Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]		After Tax Income
Age of HH	Sample Size	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Median Amount
35-44	968	$48,851	98% (n=932)	$44,191	58% (456)	$1,637	3% (30)	$12,499	34% (350)	$3,647	$42,449
45-54	712	47,616	96 (658)	44,045	61 (327)	3,125	10 (66)	7,142	33 (304)	3,571	42,421
55-64	640	39,247	84 (513)	33,480	69 (336)	3,720	28 (174)	7,160	49 (357)	5,692	35,577
65-74	425	23,034	42 (189)	9,115	80 (241)	5,952	50 (177)	6,052	97 (409)	9,101	23,034
75-84	140	15,276	15 (23)	4,826	78 (104)	5,952	38 (51)	3,663	97 (137)	8,297	15,276
65+	580	20,772	33 (213)	8,035	77 (356)	5,714	46 (233)	5,143	97 (561)	8,749	20,271
75+	155	15,102	14 (24)	4,555	79 (115)	5,416	37 (56)	4,018	98 (152)	8,124	15,102
85+	15	10,714	*	*	*	*	*	*	*	*	10,714

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from VA pensions and other pensions.

[3] Includes income from AFDC, SSI, Social Security, unemployment compensation, workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1984 PSID.

Table 2
Sources of Household Income and the Median Amount Received by Households With Source by Age of Head of Household: 1986
(in 1994 Dollars)

		Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]		After Tax Income
Age of HH	Sample Size	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Median Amount
35-44	1,237	$52,824	98% (n=1,198)	$48,672	54% (576)	$2,271	5% (59)	$4,078	28% (368)	$3,618	$46,959
45-54	707	52,267	97 (673)	47,294	59 (309)	4,056	10 (62)	8,080	30 (263)	4,056	46,132
55-64	709	39,092	81 (559)	34,855	67 (367)	4,102	33 (211)	6,678	45 (352)	6,736	35,524
65-74	496	23,352	33 (189)	10,140	72 (258)	5,408	60 (244)	6,879	96 (476)	9,734	22,902
75-84	213	14,959	19 (45)	4,732	67 (125)	3,650	44 (86)	3,926	99 (211)	8,599	14,799
65+	743	19,231	26 (235)	9,329	71 (409)	5,070	53 (340)	6,490	97 (720)	8,923	19,054
75+	247	14,215	16 (46)	4,732	69 (151)	3,380	42 (96)	4,056	99 (244)	8,112	14,215
85+	34	9,913	2 (1)	*	78 (26)	2,244	30 (10)	9,734	97 (33)	6,717	9,913

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from VA pensions and other pensions.

[3] Includes income from AFDC, SSI, Social Security, unemployment compensation, workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1987 PSID.

Table 3
Sources of Household Income and the Median Amount Received by Households With Source by Age of Head of Household: 1989
(in 1994 Dollars)

		Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]		After Tax Income
Age of HH	Sample Size	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Median Amount
35-44	1,559	$50,190	97% (n=1,500)	$47,203	55% (725)	$1,494	4% (70)	$4,541	32% (521)	$3,513	$45,236
45-54	726	53,775	96 (686)	48,995	62 (350)	2,462	8 (56)	10,636	28 (241)	4,780	47,964
55-64	725	41,825	84 (591)	35,850	67 (368)	4,302	38 (230)	8,862	45 (354)	7,170	38,382
65-74	548	24,948	38 (228)	12,548	68 (268)	5,019	59 (274)	6,310	97 (528)	10,636	24,082
75-84	288	13,623	14 (53)	3,800	70 (170)	3,585	43 (116)	4,474	99 (286)	8,289	13,623
65+	889	18,975	26 (287)	10,755	68 (472)	4,780	51 (407)	5,736	98 (865)	9,034	18,929
75+	341	13,069	13 (59)	4,607	69 (204)	4,051	41 (133)	4,780	99 (337)	7,959	13,053
85+	53	10,755	9 (6)	*	62 (34)	7,170	32 (17)	6,610	96 (51)	7,170	10,755

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes Income from VA pensions and other pensions.

[3] Includes Income from AFDC, SSI, Social Security, unemployment compensation, workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1990 PSID.

Table 4

Percent of Households Receiving Social Security Income and the Median Amount They Received by Age of Head of Household: 1983-1989[1]

(in 1994 Dollars)

	1983		1986		1989	
Age of Head of Household	Percent with SS Income	Median Amount Received	Percent with SS Income	Median Amount Received	Percent with SS Income	Median Amount Received
35 - 44	6% (n=64)	$6,535	5% (73)	$7,252	6% (90)	$6,625
45 - 54	10 (89)	6,250	10 (95)	7,009	11 (92)	9,593
55 - 64	31 (216)	7,142	35 (247)	7,658	37 (265)	7,586
65 - 74	94 (393)	8,965	95 (465)	9,694	95 (510)	10,264
75 - 84	97 (134)	7,821	99 (206)	8,209	99 (282)	8,174
65+	95 (541)	8,464	96 (703)	8,631	97 (843)	8,747
75+	97 (148)	7,607	98 (238)	7,755	98 (333)	7,887
85+	94 (14)	5,571	94 (32)	6,717	96 (51)	6,998

[1] All estimates include income from the head of household, spouse, and other household members.

Source: Lewin-VHI estimates from the 1983-1990 PSID.

Table 5
Household Income Distribution by Age of Head of Household: 1983[1] (in 1994 Dollars)

Age of Head of Household	Sample Size	$0 - $9,999	$10,000 - $19,999	$20,000 - $29,999	$30,000 - $49,999	$50,000 or more
35 - 44	968	4%	8%	12%	27%	48%
45 - 54	712	5	8	13	26	48
55 - 64	640	9	16	14	23	38
65 - 74	425	19	25	16	23	16
75 - 84	140	30	28	21	13	8
65+	580	24	26	18	19	13
75+	155	32	28	22	11	7
85+	15	47	25	28	0	0

[1] All estimates include income from the head of household, spouse, and other household members.

Source: Lewin-VHI estimates from the 1984 PSID.

Table 6
Household Income Distribution by Age of Head of Household: 1986[1]
(in 1994 Dollars)

Age of Head of Household	Sample Size	$0 - $9,999	$10,000 - $19,999	$20,000 - $29,999	$30,000 - $49,999	$50,000 or more
35 - 44	1,237	4%	8%	11%	24%	54%
45 - 54	707	6	6	11	26	51
55 - 64	709	9	14	15	23	40
65 - 74	496	16	25	20	22	16
75 - 84	213	34	30	12	17	7
65+	743	25	27	17	19	12
75+	247	37	29	12	15	6
85+	34	53	25	12	7	3

[1] All estimates include income from the head of household, spouse, and other household members.

Source: Lewin-VHI estimates from the 1987 PSID.

Table 7
Household Income Distribution by Age of Head of Household: 1989[1] (in 1994 Dollars)

Age of Head of Household	Sample Size	$0 - $9,999	$10,000 - $19,999	$20,000 - $29,999	$30,000 - $49,999	$50,000 or more
35 - 44	1,559	5%	8%	11%	26%	50%
45 - 54	726	5	8	12	21	53
55 - 64	725	7	11	15	26	40
65 - 74	548	15	25	21	24	15
75 - 84	288	36	29	13	13	9
65+	889	26	26	18	18	12
75+	341	38	27	14	12	9
85+	53	45	21	17	7	9

[1] All estimates include income from the head of household, spouse, and other household members.

Source: Lewin-VHI estimates from the 1990 PSID.

Table 8
Median Total Family Income From 1983 to 1989 by Age of Head of Household[1] (in 1994 Dollars)

Age of Head of HH In 1983	1983 Sample Size	1989 Sample Size	1983 Median Total Family Income	Cohort's Median Total Family Income In 1986	Cohort's Median Total Family Income in 1989	Change in Median Total Family Income from 1983-1989
35 - 44	968	943	$48,851	$54,486	$55,376	$6,525
45 - 54	712	693	47,616	49,171	47,322	-294
55 - 64	640	624	39,247	33,530	29,497	-9,750
65 - 74	425	396	23,034	20,318	17,543	-5,491
75 - 84	140	124	15,276	12,639	11,505	-3,771
65+	580	532	20,772	17,576	15,355	-5,417
75+	155	136	15,102	12,639	11,484	-3,618
85+	15	12	10,714	11,032	10,755	42

[1] All estimates include income from the head of household, spouse, and other household members.

Source: Lewin-VHI estimates from the 1984-1990 PSID.

Table 9
Sources of Household Income and the Median Amount Received by Households with Source by Marital Status and Sex of Head of Household: 1983
(in 1994 Dollars)

			Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]		After Tax Income
Marital Status	Sample Size	Mean Age of HH	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Median Amount
The Elderly (Aged 65+)												
Married	257	71	$30,950	45% (n=119)	$8,184	84% (179)	$8,556	57% (133)	$6,145	97% (248)	$12,928	$30,476
Single Men	45	75	12,583	18 (14)	10,416	72 (25)	4,928	51 (19)	3,571	97 (43)	7,821	12,583
Single Women	278	74	12,002	23 (80)	6,644	72 (152)	3,571	33 (81)	3,832	97 (270)	6,964	12,002
The Non-Elderly (Aged 35-64)												
Married	1,505	48	$54,553	97% (1,442)	$49,402	68% (869)	$2,976	12% (174)	$8,464	32% (532)	$4,384	$48,905
Single Men	186	45	40,920	97 (169)	35,712	66 (90)	1,786	8 (21)	3,500	30 (71)	6,662	35,928
Single Women	629	50	22,558	81 (492)	21,725	44 (160)	1,786	15 (75)	6,767	61 (408)	4,650	21,051

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from VA pensions and other pensions.

[3] Includes income from AFDC, SSI, Social Security, unemployment compensation, workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

Source: Lewin-VHI estimates from the 1984 PSID.

Table 10
Sources of Household Income and the Median Amount Received by Households with Source by Marital Status and Sex of Head of Household: 1986
(in 1994 Dollars)

			Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]		After Tax Income
Marital Status	Sample Size	Mean Age of HH	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Median Amount
The Elderly (Aged 65+)												
Married	341	72	$30,850	35% (n=132)	$9,878	82% (226)	$6,760	66% (202)	$7,030	97% (330)	$12,992	$30,190
Single Men	67	76	12,655	23 (21)	4,210	62 (29)	2,704	57 (33)	4,056	95 (62)	7,913	12,655
Single Women	335	75	11,066	17 (82)	8,372	60 (154)	3,829	38 (105)	4,056	98 (328)	7,139	11,066
The Non-Elderly (Aged 35-64)												
Married	1,807	48	$59,894	95% (1,734)	$54,080	66% (1,007)	$4,056	15% (233)	$9,464	28% (546)	$5,293	$52,908
Single Men	229	45	38,532	91 (198)	36,639	52 (85)	2,182	13 (27)	4,153	36 (91)	4,234	33,112
Single Women	617	49	23,930	85 (498)	23,018	40 (160)	1,622	15 (72)	4,737	51 (346)	4,867	22,230

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from VA pensions and other pensions.

[3] Includes income from AFDC, SSI, Social Security, unemployment compensation, workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer Income.

Source: Lewin-VHI estimates from the 1987 PSID.

Table 11
Sources of Household Income and the Median Amount Received by Households with Source by Marital Status and Sex of Head of Household: 1989
(in 1994 Dollars)

			Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]		After Tax Income
Marital Status	Sample Size	Mean Age of HH	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Median Amount
The Elderly (Aged 65+)												
Married	409	73	$29,278	35% (n=158)	$12,548	80% (269)	$6,453	63% (238)	$7,170	98% (398)	$12,605	$28,943
Single Men	102	75	14,995	19 (26)	13,145	61 (40)	3,585	53 (49)	3,442	97 (98)	8,747	14,995
Single Women	378	76	10,755	19 (103)	6,014	57 (163)	2,390	36 (120)	3,822	98 (369)	7,170	10,755
The Non-Elderly (Aged 35-64)												
Married	2,099	48	$59,056	96% (2,028)	$52,777	66% (1,172)	$3,346	16% (266)	$10,038	30% (649)	$5,076	$52,548
Single Men	287	45	37,045	89 (247)	35,850	56 (119)	2,533	11 (30)	6,692	36 (114)	5,378	33,430
Single Women	624	48	26,069	83 (502)	25,663	40 (152)	1,034	13 (60)	6,406	52 (353)	4,780	23,723

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from VA pensions and other pensions.

[3] Includes income from AFDC, SSI, Social Security, unemployment compensation, workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer Income.

Source: Lewin-VHI estimates from the 1990 PSID.

Table 12

Sources of Household Income and the Median Amount Received by Households with Source by Race of Head of Household: 1983 (in 1994 Dollars)

			Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]		After Tax Income
Race	Sample Size	Mean Age of HH	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Median Amount
The Elderly (Aged 65+)												
Non-Black	428	73	$21,469	32% (n=139)	$8,184	81% (335)	$5,952	47% (194)	$5,422	97% (414)	$8,821	$21,118
Black	152	72	11,428	42 (74)	4,596	26 (21)	2,530	30 (39)	4,285	99 (147)	7,269	11,428
The Non-Elderly (Aged 35-64)												
Non-Black	1,542	48	$48,504	94% (1,452)	$43,896	67% (1,003)	$2,976	13% (192)	$7,160	36% (564)	$4,390	$42,837
Black	778	48	25,668	87 (651)	25,296	20 (116)	372	10 (78)	9,226	55 (447)	4,714	24,290

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from VA pensions and other pensions.

[3] Includes income from AFDC, SSI, Social Security, unemployment compensation, workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer Income.

Source: Lewin-VHI estimates from the 1984 PSID.

Table 13
Sources of Household Income and the Median Amount Received by Households with Source by Race of Head of Household: 1986
(in 1994 Dollars)

			Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]		After Tax Income
Race	Sample Size	Mean Age of HH	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percen t with Income	Median Amount	Percent with Income	Median Amount	Median Amount
The Elderly (Aged 65+)												
Non-Black	523	74	$19,804	25% (n=136)	$9,329	74% (375)	$5,223	53% (273)	$6,490	98% (507)	$9,067	$19,399
Black	220	73	12,655	39 (99)	9,456	27 (34)	2,542	42 (67)	4,867	95 (213)	6,587	12,655
The Non-Elderly (Aged 35-64)												
Non-Black	1,769	48	$52,728	93% (1,661)	$47,486	65% (1,105)	$3,484	15% (250)	$7,155	32% (557)	$4,867	$46,501
Black	884	48	27,040	89 (769)	27,040	19 (147)	541	10 (82)	6,490	46 (426)	4,851	24,643

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes Income from VA pensions and other pensions.

[3] Includes income from AFDC, SSI, Social Security, unemployment compensation, workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

Source: Lewin-VHI estimates from the 1987 PSID.

Table 14

Sources of Household Income and the Median Amount Received by Households with Source by Race of Head of Household: 1989 (in 1994 Dollars)

			Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]		After Tax Income
Race	Sample Size	Mean Age of HH	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Median Amount
The Elderly (Aged 65+)												
Non-Black	609	75	$19,813	25% (n=165)	$10,223	72% (432)	$4,780	52% (320)	$5,736	98% (596)	$9,321	$19,510
Black	280	74	12,237	33 (122)	15,535	26 (40)	1,434	35 (87)	8,159	94 (269)	7,242	12,237
The Non-Elderly (Aged 35-64)												
Non-Black	1,980	48	$52,102	93% (1,875)	$47,800	66% (1,274)	$2,886	15% (267)	$8,575	32% (627)	$5,210	$46,766
Black	1,030	47	28,972	88 (902)	28,680	19 (169)	939	11 (89)	9,235	53 (489)	4,646	26,853

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from VA pensions and other pensions.

[3] Includes income from AFDC, SSI, Social Security, unemployment compensation, workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

Source: Lewin-VHI estimates from the 1990 PSID.

Table 15

Percent of Households Receiving Social Security Income and the Median Amount They Received by Marital Status and Sex of Head of Household: 1983-1989[1]

(in 1994 Dollars)

	1983		1986		1989	
Age of Head of Household	**Percent with SS Income**	**Median Amount Received**	**Percent with SS Income**	**Median Amount Received**	**Percent with SS Income**	**Median Amount Received**
The Elderly (Aged 65+)						
Married	96% (n=243)	$12,446	97% (328)	$12,979	97% (397)	$12,548
Single Men	97 (43)	7,446	93 (61)	7,674	94 (94)	8,604
Single Women	94 (255)	6,750	96 (314)	6,895	97 (352)	6,998
The Non-Elderly (Aged 35-64)						
Married	12% (197)	$7,500	13% (241)	$8,615	14% (269)	$7,738
Single Men	7 (22)	6,401	17 (43)	7,139	17 (45)	8,317
Single Women	26 (150)	6,535	22 (131)	5,873	22 (133)	5,922

[1] All estimates include income from the head of household, spouse, and other household members.

Source: Lewin-VHI estimates from the 1983-1990 PSID.

Table 16
Percent of Households Receiving Social Security Income and the Median Amount They Received by Race of Head of Household: 1983-1989[1]
(in 1994 Dollars)

	1983		1986		1989	
Age of Head of Household	**Percent with SS Income**	**Median Amount Received**	**Percent with SS Income**	**Median Amount Received**	**Percent with SS Income**	**Median Amount Received**
The Elderly (Aged 65+)						
Non-Black	95% (n=401)	$8,517	97% (500)	$8,907	97% (588)	$9,092
Black	95 (140)	6,214	93 (203)	6,149	91 (255)	6,023
The Non-Elderly (Aged 35-64)						
Non-Black	14% (208)	$7,142	16% (243)	$7,571	15% (265)	$7,600
Black	18 (161)	4,821	16 (172)	5,289	21 (182)	6,224

[1] All estimates include income from the head of household, spouse, and other household members.

Source: Lewin-VHI estimates from the 1983-1990 PSID.

Table 17
Sources of Household Income and the Median Amount Received by Households with Source by Age of Head of Household: 1982
(in 1994 Dollars)

		Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]	
Age of HH	Sample Size	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount
35-44	750	$41,900	87% (n=638)	$37,200	60% (470)	$2,635	6% (43)	$7,440	35% (251)	$3,720
45-54	682	39,634	85 (559)	36,270	59 (447)	3,100	13 (87)	7,905	28 (174)	5,038
55-64	668	33,023	69 (468)	27,528	69 (494)	5,580	35 (207)	7,998	39 (224)	5,887
65-74	498	18,330	28 (159)	9,300	66 (355)	3,875	65 (313)	6,510	81 (382)	8,872
75-84	229	11,393	8 (24)	13,175	63 (152)	3,356	64 (142)	6,257	79 (185)	7,886
65+	755	15,857	21 (183)	9,300	64 (519)	3,866	64 (467)	6,493	81 (592)	8,370
75+	257	11,160	7 (24)	13,175	60 (164)	3,356	62 (154)	6,491	80 (210)	7,848
85+	28	8,254	0 (0)	*	34 (12)	*	45 (12)	5,971	89 (25)	7,440

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from VA pensions and other pensions.

[3] Includes Income from AFDC, SSI, Social Security, unemployment compensation, workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1983 Survey of Consumer Finances.

Table 18
Sources of Household Income and the Median Amount Received by Households with Source, by Age of Head of Household: 1988
(in 1994 Dollars)

		Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]	
Age of HH	Sample[4] Size	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount
35-44	3,405	$50,120	92% (n=3,046)	$43,855	57% (2,290)	$1,253	8% (240)	$5,012	24% (720)	$3,759
45-54	3,040	47,226	88 (2,673)	43,855	58 (2,210)	2,506	12 (270)	11,277	20 (407)	3,759
55-64	2,790	33,831	73 (2,166)	31,325	53 (2,070)	5,012	47 (1,105)	8,771	24 (418)	3,371
65-74	2,135	19,422	34 (852)	8,771	62 (1,565)	3,759	95 (1,915)	12,530	12 (249)	2,506
75-84	1,135	15,024	14 (228)	6,265	67 (840)	3,759	99 (1,105)	8,771	18 (172)	1,253
65+	3,405	17,542	25 (1,090)	8,771	64 (2,495)	3,759	96 (3,150)	11,277	15 (452)	1,253
75+	1,270	14,673	12 (238)	6,265	67 (930)	3,759	98 (1,235)	10,024	19 (203)	1,253
85+	135	12,229	* (10)	*	68 (90)	4,060	96 (130)	11,277	21 (31)	2,506

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from Social Security, other pensions or annuities, and disability income (not including SSI).

[3] Includes Income from AFDC, SSI, unemployment or workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

[4] The 1989 SCF contains five imputed observations for each household interviewed.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1989 Survey of Consumer Finances.

Table 19
Sources of Household Income and the Median Amount Received by Households with Source by Age of Head of Household: 1991
(in 1994 Dollars)

		Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]	
Age of HH	Sample Size	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount
35-44	825	$41,779	89% (n=724)	$40,256	50% (503)	$1,958	7% (47)	$7,616	26% (176)	$3,482
45-54	744	50,810	94 (660)	44,608	57 (544)	2,720	11 (56)	9,139	16 (108)	5,440
55-64	612	33,728	69 (442)	38,080	59 (464)	3,482	45 (213)	9,357	15 (75)	4,352
65-74	537	19,168	32 (218)	13,056	66 (416)	3,917	94 (463)	11,968	12 (70)	1,958
75-84	243	14,198	12 (48)	3,264	66 (188)	5,081	97 (228)	10,010	7 (22)	2,720
65+	827	16,973	25 (277)	10,880	65 (637)	3,928	95 (735)	10,662	10 (96)	1,958
75+	290	13,687	13 (59)	5,658	63 (221)	4,570	97 (272)	9,574	8 (26)	2,720
85+	47	10,118	21 (11)	5,658	47 (33)	1,523	96 (44)	8,595	10 (4)	*

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from Social Security, other pensions or annuities, and disability income (not including SSI).

[3] Includes income from AFDC, SSI, unemployment or workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1992 Survey of Consumer Finances.

Table 20
Sources of Household Income and the Median Amount Received by Households with Source by Marital Status and Sex of Head of Household: 1982
(in 1994 Dollars)

			Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]	
Marital Status in 1983	Sample Size	Mean Age of HH	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount
The Elderly (Aged 65+)											
Married	419	73	$22,142	30% (n=144)	$13,175	67% (311)	$5,123	61% (243)	$6,087	94% (368)	$9,709
Single Men	65	76	14,342	10 (8)	*	56 (39)	3,643	53 (36)	6,975	94 (60)	8,184
Single Women	271	74	9,753	12 (31)	3,627	62 (169)	2,325	70 (188)	6,581	61 (164)	6,194
The Non-Elderly (Aged 35-64)											
Married	1,584	49	47,204	84% (1,297)	$40,300	67% (1,150)	$4,650	14% (205)	$8,727	30% (433)	$4,993
Single Men	168	50	30,427	69 (112)	31,775	55 (101)	2,170	24 (38)	6,727	37 (56)	4,650
Single Women	348	50	20,894	75 (256)	19,384	47 (160)	1,550	26 (94)	7,273	45 (160)	4,910

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from VA pensions and other pensions.

[3] Includes income from AFDC, SSI, Social Security, unemployment compensation, workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1983 Survey of Consumer Finances.

Table 21
Sources of Household Income and the Median Amount Received by Households with Source by Marital Status and Sex of Head of Household: 1988
(in 1994 Dollars)

			Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]	
Marital Status in 1989	Sample[4] Size	Mean Age of HH	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount
The Elderly (Aged 65+)											
Married	1,955	74	$23,807	34% (n=783)	$11,277	73% (1,620)	$5,639	96% (1,775)	$16,289	9% (174)	$2,506
Single Men	280	74	11,277	19 (68)	6,265	56 (185)	2,506	98 (265)	8,771	19 (51)	1,253
Single Women	1,170	75	11,653	18 (239)	6,265	58 (690)	2,506	96 (1,110)	7,518	20 (227)	1,253
The Non-Elderly (Aged 35-64)											
Married	6,855	48	$56,485	93% (6,173)	$50,120	64% (5,335)	$2,506	17% (1,060)	$11,277	16% (815)	$2,506
Single Men	905	48	30,072	74 (665)	31,325	49 (575)	5,012	23 (180)	7,518	16 (120)	3,759
Single Women	1,475	50	25,060	72 (1,047)	27,566	41 (660)	941	25 (375)	5,012	43 (610)	5,012

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from Social Security, other pensions or annuities, and disability income (not including SSI).

[3] Includes income from AFDC, SSI, unemployment or workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

[4] The 1989 SCF contains five imputed observations for each household interviewed.

Source: Lewin-VHI estimates from the 1989 Survey of Consumer Finances.

Table 22
Sources of Household Income and the Median Amount Received by Households with Source, by Marital Status and Sex of Head of Household: 1991
(in 1994 Dollars)

			Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]	
Marital Status in 1992	Sample Size	Mean Age of HH	Median Amount	Percent with income	Median Amount	Percent with income	Median Amount	Percent with income	Median Amount	Percent with Income	Median Amount
The Elderly (Aged 65+)											
Married	473	73	$27,200	34% (n=198)	$14,144	76% (410)	$6,093	94% (404)	$15,232	6% (46)	$2,067
Single Men	92	75	15,232	12 (23)	4,896	54 (61)	3,808	100 (86)	11,968	12 (11)	2,176
Single Women	262	76	10,662	18 (56)	6,528	57 (166)	1,850	95 (245)	7,616	14 (39)	1,850
The Non-Elderly (Aged 35-64)											
Married	1,560	49	$56,163	92% (1,371)	$50,048	61% (1,195)	$3,264	16% (194)	$10,880	16% (208)	$4,352
Single Men	256	48	27,037	77 (192)	28,288	43 (145)	3,264	20 (41)	7,942	17 (35)	2,394
Single Women	365	50	20,672	72 (263)	22,848	41 (171)	1,088	24 (81)	7,507	33 (116)	4,352

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from Social Security, other pensions or annuities, and disability income (not including SSI).

[3] Includes Income from AFDC, SSI, unemployment or workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

Source: Lewin-VHI estimates from the 1992 Survey of Consumer Finances.

Table 23

Sources of Household Income and the Median Amount Received by Households with Source by Race of Head of Household: 1982

(in 1994 Dollars)

			Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]	
Race	Sample Size	Mean Age of HH	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount
The Elderly (Aged 65+)											
Non-Black	678	74	$17,221	21% (n=165)	$10,850	70% (506)	$3,875	66% (429)	$6,566	80% (524)	$8,799
Black	77	74	8,184	23 (18)	5,890	17 (13)	465	49 (38)	4,650	89 (68)	6,161
The Non-Elderly (Aged 35-64)											
Non-Black	1,876	48	$41,900	81% (1,490)	$36,230	67% (1,347)	$3,720	18% (307)	$8,215	32% (547)	$4,817
Black	224	48	21,000	79 (175)	23,250	29 (64)	775	13 (30)	6,994	45 (102)	5,423

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from VA pensions and other pensions.

[3] Includes Income from AFDC, SSI, Social Security, unemployment compensation, workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

Source: Lewin-VHI estimates from the 1983 Survey of Consumer Finances.

Table 24
Sources of Household Income and the Median Amount Received by Households with Source by Race of Head of Household: 1988
(in 1994 Dollars)

			Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]	
Race	Sample[4] Size	Mean Age of HH	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount
The Elderly (Aged 65+)											
Non-Black	3,109	74	$18,795	24% (n=986)	$8,771	71% (2,449)	$3,759	96% (2,875)	$12,530	13% (352)	$1,253
Black	296	73	8,771	33 (104)	6,265	14 (46)	2,506	94 (275)	7,518	31 (100)	2,506
The Non-Elderly (Aged 35-64)											
Non-Black	8,363	48	$48,115	88% (7,228)	$42,602	62% (6,348)	$2,506	18% (1,365)	$10,024	20% (1,261)	$3,759
Black	872	50	19,359	70 (657)	25,060	21 (222)	1,002	33 (250)	5,012	40 (284)	3,759

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from Social Security, other pensions or annuities, and disability income (not including SSI).

[3] Includes income from AFDC, SSI, unemployment or workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

[4] The 1989 SCF contains five imputed observations for each household interviewed.

Source: Lewin-VHI estimates from the 1989 Survey of Consumer Finances.

Table 25
Sources of Household Income and the Median Amount Received by Households with Source, by Race of Head of Household: 1991
(in 1994 Dollars)

			Total[1] Income	Wages and Earnings		Asset Income		Pension Income[2]		Other Income[3]	
Race	Sample Size	Mean Age of HH	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount	Percent with Income	Median Amount
The Elderly (Aged 65+)											
Non-Black	770	75	$17,408	25% (n=262)	$11,968	68% (619)	$4,145	95% (681)	$10,880	9% (85)	$2,067
Black	57	75	8,813	23 (15)	6,528	27 (18)	642	96 (54)	7,290	21 (11)	1,197
The Non-Elderly (Aged 35-64)											
Non-Black	1,987	49	$45,696	86% (1,676)	$42,432	58% (1,454)	$2,720	18% (276)	$9,248	19% (301)	$4,352
Black	192	47	24,806	76 (150)	29,376	25 (57)	544	22 (40)	7,616	34 (58)	3,155

[1] All estimates include income from the head of household, spouse, and other household members.

[2] Includes income from Social Security, other pensions or annuities, and disability income (not including SSI).

[3] Includes income from AFDC, SSI, unemployment or workers compensation, child support, help from relatives, and other miscellaneous welfare and transfer income.

Source: Lewin-VHI estimates from the 1992 Survey of Consumer Finances.

Table 26
Household Income Distribution by Age of Head of Household: 1982[1]
(in 1994 Dollars)

Age of Head of Household	Sample Size	$0 - $9,999	$10,000 - $19,999	$20,000 - $29,999	$30,000 - $49,999	$50,000 or more
35 - 44	749	6% (n=45)	11% (76)	15% (101)	28% (192)	40% (335)
45 - 54	682	12 (70)	11 (64)	14 (81)	27 (156)	36 (311)
55 - 64	667	11 (60)	18 (100)	16 (87)	22 (117)	33 (303)
65 - 74	498	24 (107)	30 (124)	20 (82)	14 (59)	12 (126)
75 - 84	229	41 (87)	29 (61)	12 (25)	10 (19)	7 (37)
65+	755	31 (209)	29 (190)	17 (108)	13 (81)	10 (167)
75+	257	43 (102)	28 (66)	12 (26)	10 (22)	7 (41)
85+	28	60 (15)	* (5)	* (1)	* (3)	* (4)

[1] All estimates include income from the head of household, spouse, and other household members.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1983 Survey of Consumer Finances.

Table 27
Household Income Distribution by Age of Head of Household: 1988[1]
(in 1994 Dollars)

Age of Head of Household	Sample Size[2]	$0 - $9,999	$10,000 - $19,999	$20,000 - $29,999	$30,000 - $49,999	$50,000 or more
35 - 44	3,405	8% (n=185)	6% (212)	12% (268)	26% (739)	47% (2,001)
45 - 54	3,040	10 (183)	11 (217)	10 (203)	26 (463)	43 (1,974)
55 - 64	2,790	18 (270)	15 (260)	14 (247)	24 (448)	29 (1,565)
65 - 74	2,135	17 (255)	34 (517)	21 (324)	14 (259)	14 (780)
75 - 84	1,135	33 (264)	30 (279)	18 (172)	12 (149)	7 (271)
65+	3,405	24 (570)	32 (819)	20 (509)	13 (422)	12 (1,085)
75+	1,270	34 (315)	29 (302)	17 (185)	12 (163)	9 (305)
85+	135	* (51)	* (23)	* (13)	* (14)	* (34)

[1] All estimates include income from the head of household, spouse, and other household members.

[2] The 1989 SCF contains five imputed observations for each household interviewed.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1989 Survey of Consumer Finances.

Table 28
Household Income Distribution by Age of Head of Household: 1991[1]
(in 1994 Dollars)

Age of Head of Household	Sample Size	$0 - $9,999	$10,000 - $19,999	$20,000 - $29,999	$30,000 - $49,999	$50,000 or more
35 - 44	823	10% (n=64)	15% (90)	14% (92)	24% (153)	38% (424)
45 - 54	740	8 (38)	12 (55)	12 (64)	21 (100)	46 (483)
55 - 64	611	16 (59)	22 (73)	11 (43)	18 (74)	33 (362)
65 - 74	536	22 (75)	31 (102)	16 (60)	14 (60)	17 (239)
75 - 84	243	28 (44)	31 (50)	11 (21)	14 (30)	17 (98)
65+	826	26 (133)	31 (161)	14 (83)	14 (95)	16 (354)
75+	290	31 (58)	31 (59)	10 (23)	13 (35)	15 (115)
85+	47	50 (14)	* (9)	* (2)	* (5)	4 (17)

[1] All estimates include income from the head of household, spouse, and other household members.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1992 Survey of Consumer Finances.

Table 29

Percent of Households Receiving Social Security Income and the Median Amount They Received by Age of Head of Household: 1982-1991[1]

(in 1994 Dollars)

	1982		1988		1991	
Age of Head of Household	**Percent with SS Income**	**Median Amount Received**	**Percent with SS[2] Income**	**Median Amount[3] Received**	**Percent with SS Income**	**Median Amount[3] Received**
35 - 44	2% (n=11)	$6,287	3% (90)	n.a.	5% (30)	n.a.
45 - 54	4 (25)	7,087	6 (110)	n.a.	4 (18)	n.a.
55 - 64	21 (121)	7,491	39 (785)	n.a.	41 (169)	n.a.
65 - 74	77 (362)	8,872	95 (1,888)	n.a.	94 (460)	n.a.
75 - 84	69 (163)	8,128	99 (1,114)	n.a.	90 (219)	n.a.
65+	74 (546)	8,620	95 (3,117)	n.a.	93 (724)	n.a.
75+	69 (184)	8,184	96 (1,229)	n.a.	91 (264)	n.a.
85+	72 (21)	8,906	79 (115)	n.a.	97 (45)	n.a.

[1] All estimates include income from the head of household, spouse, and other household members.

[2] The 1989 SCF contains five imputed observations for each household interviewed.

[3] Social Security income in the 1989 and 1992 SCF is aggregated with other pension, annuity, and disability income.

Source: Lewin-VHI estimates from the 1983-1992 Survey of Consumer Finances.

Table 30
Percent of Households Receiving Social Security Income and the Median Amount They Received by Marital Status: 1982-1991[1]
(in 1994 Dollars)

	1982		1988		1991	
Marital Status	**Percent with SS Income**	**Median Amount Received**	**Percent with SS [2] Income**	**Median Amount[3] Received**	**Percent with SS Income**	**Median Amount[3] Received**
The Elderly (Aged 65+)						
Married	91% (n=359)	$9,449	95% (1,763)	n.a.	95% (409)	n.a.
Single Men	93 (59)	8,386	96 (264)	n.a.	90 (80)	n.a.
Single Women	48 (128)	6,357	95 (1,090)	n.a.	91 (235)	n.a.
The Non-Elderly (Aged 35-64)						
Married	8% (115)	$7,973	11% (590)	n.a.	12% (116)	n.a.
Single Men	14 (20)	7,087	15 (110)	n.a.	13 (27)	n.a.
Single Women	6 (22)	6,956	19 (285)	n.a.	22 (74)	n.a.

[1] All estimates include income from the head of household, spouse, and other household members.

[2] The 1989 SCF contains five imputed observations for each household interviewed.

[3] Social Security income in the 1989 and 1992 SCF is aggregated with other pension, annuity, and disability income.

Source: Lewin-VHI estimates from the 1983-1992 Survey of Consumer Finances.

Table 31
Percent of Households Receiving Social Security Income and the Median Amount They Received by Race: 1982-1991[1]
(in 1994 Dollars)

	1982		1988		1991	
Race	Percent with SS Income	Median Amount Received	Percent with SS[2] Income	Median Amount[3] Received	Percent with SS Income	Median Amount[3] Received
The Elderly (Aged 65+)						
Non-Black	75% (n=494)	$8,906	96% (2,849)	n.a.	93% (672)	n.a.
Black	70 (52)	5,989	93 (271)	n.a.	91 (52)	n.a.
The Non-Elderly (Aged 35-64)						
Non-Black	8% (138)	$7,384	13% (845)	n.a.	14% (191)	n.a.
Black	8 (19)	7,142	19 (140)	n.a.	15 (26)	n.a.

[1] All estimates include income from the head of household, spouse, and other household members.

[2] The 1989 SCF contains five imputed observations for each household interviewed.

[3] Social Security income in the 1989 and 1992 SCF is aggregated with other pension, annuity, and disability income.

Source: Lewin-VHI estimates from the 1983-1992 Survey of Consumer Finances.

Table 32
Household Assets and Median Holdings for Households with the Asset by Age of Head of Household: 1983-1984 (in 1994 dollars)

Age of HH	Sample Size	1983-1984 Total Net Assets[1]	1983 Home Equity		1984 Other Real Assets[2]		1984 Financial Assets		1983 Total Other[3] Debt	
		Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
35-44	968	$65,565	73% (n=650)	$53,568	90% (815)	$12,121	81% (691)	$8,556	55% (506)	$2,567
45-54	712	90,260	76 (475)	72,912	84 (536)	14,260	78 (449)	15,686	47 (307)	2,424
55-64	640	105,276	80 (451)	74,400	84 (478)	12,834	79 (416)	21,390	36 (218)	1,426
65-74	425	98,735	78 (290)	72,614	76 (273)	9,982	76 (270)	35,365	18 (86)	646
75-84	140	62,718	69 (96)	52,378	62 (85)	4,278	65 (88)	35,650	13 (19)	570
65+	580	84,035	74 (394)	66,960	71 (364)	7,130	73 (366)	35,365	16 (106)	570
75+	155	55,614	67 (104)	59,520	60 (91)	4,278	65 (96)	35,650	12 (20)	570
85+	15	55,614	*	*	*	*	*	*	*	*

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets Includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses.

[3] Total Other Debt Includes credit card debt, Installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1983-84 PSID.

Table 33
Household Assets and Median Holdings for Households with the Asset by Age of Head of Household: 1989
(in 1994 dollars)

Age of HH	Sample Size	1989 Total Net Assets[1]	1989 Home Equity		1989 Other Real Assets[2]		1989 Financial Assets		1989 Total Other[3] Debt	
		Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
35-44	1,559	$53,775	70% (n=1,026)	$47,800	90% (1,353)	$11,950	86% (1,227)	$10,755	61% (895)	$3,585
45-54	726	93,210	78 (516)	57,360	92 (629)	16,730	86 (559)	21,510	55 (384)	3,396
55-64	725	144,595	81 (536)	81,260	91 (597)	18,523	86 (530)	36,448	45 (312)	2,390
65-74	548	119,500	78 (372)	71,700	84 (394)	11,950	88 (393)	43,655	27 (160)	1,195
75-84	288	80,731	68 (192)	59,750	73 (201)	8,365	84 (218)	36,149	15 (51)	598
65+	889	92,852	73 (597)	64,530	76 (619)	10,755	87 (657)	35,850	21 (215)	956
75+	341	80,478	67 (225)	58,555	67 (225)	7,170	85 (264)	35,999	13 (55)	598
85+	53	54,612	64 (33)	43,857	43 (24)	5,975	87 (46)	35,999	6 (4)	*

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security Income.

[2] Other Real Assets Includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses.

[3] Total Other Debt includes credit card debt, Installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1989 PSID.

Table 34
Household Assets and Median Holdings for Households with the Asset by Marital Status: 1983-1984
(in 1994 dollars)

Marital Status	Sample Size	Mean Age of HH	1983-1984 Total Net Assets[1]	1983 Home Equity		1984 Other Real[2] Assets		1984 Financial Assets		1984 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
Married	257	70	$129,512	87% (n=212)	$77,376	90% (213)	$11,408	76% (174)	$53,475	17% (47)	$713
Single Male	45	75	63,082	61 (24)	52,080	82 (32)	6,845	78 (30)	20,677	18 (8)	*
Single Female	278	74	50,034	64 (158)	58,032	51 (119)	4,278	68 (162)	14,260	15 (51)	642
The Non-Elderly (Aged 35-64)											
Married	1,505	48	$109,600	88% (1,247)	$71,424	93% (1,352)	$14,260	83% (1,117)	$17,112	47% (709)	$2,139
Single Male	186	45	43,803	50 (78)	52,080	86 (147)	11,408	82 (129)	11,408	51 (80)	3,565
Single Female	629	50	18,233	50 (251)	51,263	66 (330)	5,704	67 (310)	4,278	43 (242)	1,711

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses.

[3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1983-1984 PSID.

Table 35
Median Household Asset Levels by Age of Head of Household: 1983-1989[1] (in 1994 dollars)

Age of Head of Household in 1983	1983-84 Sample Size	1989 Sample Size	1983-84 Median Total Net Assets	Cohort's Median Total Net Assets in 1989	Change in Median Total Net Assets from 1983 to 1989
35 - 44	968	943	$65,565	$81,260	$15,695
45 - 54	712	693	90,260	126,073	35,813
55 - 64	640	624	105,276	120,098	14,822
65 - 74	425	396	98,735	96,556	-2,179
75 - 84	140	124	62,718	59,750	-2,968
65+	580	532	84,035	86,537	2,502
75+	155	136	55,614	61,815	6,201
85+	15	12	55,614	63,880	8,266

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

Source: Lewin-VHI estimates from the 1983, 1984, and 1989 PSID.

Table 36
Household Assets and Median Holdings for Households with the Asset by Marital Status and Sex of Head of Household: 1989
(in 1994 dollars)

Marital Status	Sample Size	Mean Age of HH	1989 Total Net Assets[1]	1989 Home Equity		1989 Other Real[2] Assets		1989 Financial Assets		1989 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with , Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
Married	409	73	$163,847	90% (n=348)	$71,700	96% (369)	$14,340	93% (337)	$50,190	24% (112)	$1,195
Single Male	102	75	54,612	57 (51)	71,700	74 (65)	8,365	89 (66)	26,496	19 (24)	956
Single Female	378	76	50,729	58 (198)	47,800	55 (185)	5,975	79 (254)	17,925	17 (79)	239
The Non-Elderly (Aged 35-64)											
Married	2,099	48	$125,237	87% (1,718)	$68,115	98% (2,014)	$17,925	92% (1,812)	$23,900	55% (1,166)	$3,585
Single Male	287	45	36,328	49 (113)	43,020	85 (216)	9,560	81 (190)	13,145	55 (134)	3,585
Single Female	624	48	16,133	48 (247)	37,045	70 (349)	4,780	67 (314)	7,719	55 (291)	2,390

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses.

[3] Total Other Debt includes credit card debt, Installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

Source: Lewin-VHI estimates from the 1989 PSID.

Table 37
Household Assets and Median Holdings for Households with the Asset by Race: 1983-1984
(in 1994 dollars)

Race	Sample Size	Mean Age of HH	1983-1984 Total Net Assets[1]	1983 Home Equity		1984 Other Real[2] Assets		1984 Financial Assets		1984 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
Non-Black	428	73	$88,970	75% (n=318)	$67,030	73% (306)	$8,271	75% (314)	$35,650	15% (69)	$570
Black	152	72	13,065	66 (76)	26,040	48 (58)	2,852	41 (52)	713	24 (37)	784
The Non-Elderly (Aged 35-64)											
Non-Black	1,542	48	$94,972	78% (1,204)	$70,829	89% (1,376)	$14,260	83% (1,251)	$14,260	47% (743)	$2,139
Black	778	48	15,829	55 (372)	37,200	62 (453)	5,704	49 (305)	2,781	44 (288)	1,711

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses.

[3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

Source: Lewin-VHI estimates from the 1983-1984 PSID.

Table 38
Household Assets and Median Holdings for Households with the Asset by Race: 1989
(in 1994 dollars)

Race	Sample Size	Mean Age of HH	1989 Total Net Assets[1]	1989 Home Equity		1989 Other Real[2] Assets		1989 Financial Assets		1989 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
Non-Black	609	75	$102,770	73% (n=447)	$65,725	78% (479)	$10,755	90% (543)	$37,045	20% (125)	$956
Black	280	74	27,308	69 (150)	35,850	53 (140)	6,043	52 (114)	3,585	28 (90)	956
The Non-Elderly (Aged 35-64)											
Non-Black	1,980	48	$102,053	79% (1,576)	$65,725	94% (1,879)	$15,535	91% (1,793)	$21,510	55% (1,103)	$3,376
Black	1,030	47	14,938	52 (502)	29,875	69 (700)	6,573	56 (523)	3,585	52 (488)	2,390

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets Includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses.

[3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

Source: Lewin-VHI estimates from the 1989 PSID.

Table 39
Household Assets and Median Holdings for Households with the Asset by Income Level: 1983-1984
(in 1994 dollars)

1983 Income Level[1]	Sample Size	Mean Age of HH	1983-1984 Total Net Assets[1]	1983 Home Equity		1984 Other Real[2] Assets		1984 Financial Assets		1984 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
$0 - $9,999	169	74	$16,834	53% (n=79)	$29,760	37% (55)	$1,141	62% (84)	$2,852	14% (29)	$185
$10,000 - $19,999	156	73	58,683	74 (104)	52,080	69 (94)	3,565	65 (90)	13,119	20 (39)	713
$20,000 - $29,999	98	73	110,360	76 (72)	66,960	82 (77)	6,417	78 (71)	42,138	15 (15)	428
$30,000 - $49,999	90	71	186,062	87 (78)	84,816	89 (78)	14,260	83 (70)	71,300	8 (8)	*
$50,000+	67	70	347,696	91 (61)	111,600	91 (60)	37,076	81 (51)	145,452	22 (15)	1,426
The Non-Elderly (Aged 35-64)											
$0 - $9,999	249	51	$856	39% (73)	$32,736	48% (88)	$1,212	26% (46)	$1,070	27% (58)	$1,426
$10,000 - $19,999	329	51	16,573	51 (146)	38,688	68 (202)	3,850	60 (141)	2,852	41 (115)	1,428
$20,000 - $29,999	319	49	44,840	69 (200)	47,616	84 (239)	5,704	72 (200)	6,132	40 (132)	1,711
$30,000 - $49,999	569	48	69,589	75 (410)	59,520	89 (496)	9,982	83 (424)	8,556	47 (262)	2,139
$50,000+	854	47	148,211	89 (747)	84,816	94 (804)	19,964	91 (745)	27,094	52 (464)	2,852

[1] Income and asset estimates include income and assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income. [2] Other Real Assets includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses. [3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1983-84 PSID.

Table 40
Household Assets and Median Holdings for Households with the Asset by Income Level: 1989
(in 1994 dollars)

1989 Income Level[1]	Sample Size	Mean Age of HH	1989 Total Net Assets[1]	1989 Home Equity		1989 Other Real[2] Assets		1989 Financial Assets		1989 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
$0 - $9,999	256	78	$14,929	50 (n=113)	$31,070	43 (99)	$2,390	68 (137)	$6,987	16 (49)	$956
$10,000 - $19,999	236	75	69,310	70 (151)	47,800	80 (164)	6,043	88 (170)	17,925	20 (65)	837
$20,000 - $29,999	151	73	142,313	83 (122)	74,688	85 (127)	11,171	93 (125)	48,995	28 (36)	483
$30,000 - $49,999	152	72	204,345	89 (129)	81,260	97 (140)	15,535	99 (139)	89,625	20 (41)	2,390
$50,000+	94	73	454,100	89 (82)	119,500	94 (89)	44,813	96 (86)	179,250	24 (24)	2,390
The Non-Elderly (Aged 35-64)											
$0 - $9,999	260	49	$598	34 (67)	$38,240	48 (90)	$2,480	39 (63)	$2,790	35 (67)	$2,390
$10,000 - $19,999	351	49	10,397	45 (14)	35,850	77 (229)	4,780	59 (152)	2,868	46 (139)	2,390
$20,000 - $29,999	376	49	31,249	60 (209)	33,460	88 (324)	5,975	81 (265)	5,975	53 (202)	2,390
$30,000 - $49,999	712	47	59,153	75 (510)	47,194	93 (654)	11,950	89 (590)	10,755	58 (402)	2,510
$50,000+	1,311	47	164,313	90 (1,148)	81,260	98 (1,282)	23,900	96 (1,246)	32,745	58 (781)	3,585

[1] Income and asset estimates include income and assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income. [2] Other Real Assets includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses. [3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

Source: Lewin-VHI estimates from the 1989 PSID.

Table 41
Household Asset Distribution by Age of Head of Household: 1983-1984[1] (in 1994 Dollars)

Age of Head of Household	Sample Size	<$25,000	$25,000-$49,999	$50,000-$99,999	$100,000-$199,999	$200,000+
35 - 44	968	14%	18%	21%	23%	24%
45 - 54	712	11	14	21	25	28
55 - 64	640	11	14	22	26	27
65 - 74	425	11	16	21	26	26
75 - 84	140	20	19	21	19	21
65+	580	17	19	21	22	22
75+	155	19	20	21	20	20
85+	15	18	21	21	21	19

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

Source: Lewin-VHI estimates from the 1983-1984 PSID.

Table 42
Household Asset Distribution by Age of Head of Household: 1989[1] (in 1994 Dollars)

Age of Head of Household	Sample Size	<$25,000	$25,000-$49,999	$50,000-$99,999	$100,000-$199,999	$200,000+
35 - 44	1,559	17%	18%	21%	21%	23%
45 - 54	726	13	19	19	23	25
55 - 64	725	12	15	19	25	28
65 - 74	548	11	17	21	25	27
75 - 84	288	16	18	22	20	24
65+	889	16	20	21	21	23
75+	341	18	21	21	19	21
85+	53	19	23	20	19	20

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

Source: Lewin-VHI estimates from the 1989 PSID.

Table 43
Household Assets and Median Holdings for Households with the Asset by Age of Head of Household: 1983
(in 1994 dollars)

Age of HH	Sample Size	1983 Total Net[1] Assets	1983 Home Equity		1983 Net Value[2] of Other Real Assets		1983 Financial Assets		1983 Total Other[3] Debt	
		Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
35-44	777	$59,508	68% (n=551)	$55,944	93% (725)	$6,751	92% (721)	$8,556	69% (527)	$1,562
45-54	680	80,249	78 (552)	67,261	91 (631)	8,418	91 (624)	10,304	59 (391)	1,620
55-64	673	102,089	78 (554)	78,474	90 (615)	10,007	91 (625)	18,212	47 (300)	1,339
65-74	527	89,598	79 (435)	62,646	82 (450)	7,446	91 (487)	18,948	24 (119)	559
75-84	249	60,438	72 (186)	54,758	60 (158)	4,799	87 (219)	18,651	14 (32)	418
65+	816	76,781	75 (644)	59,520	73 (630)	6,510	89 (740)	18,600	20 (155)	446
75+	289	53,016	69 (209)	52,080	59 (180)	4,576	86 (253)	15,624	13 (36)	418
85+	40	27,193	53 (23)	44,640	52 (22)	3,385	84 (34)	7,773	* (4)	*

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets includes the proceeds that would be realized on the sale of real estate (other than the main family home), vehicles, and family farms or businesses after paying off any loans still owed.

[3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1983 Survey of Consumer Finances.

Table 44
Household Assets and Median Holdings for Households with the Asset by Age of Head of Household: 1986
(in 1994 dollars)

Age of HH	Sample Size	1986 Total Net[1] Assets	1986 Home Equity		1986 Net Value[2] of Other Real Assets		1986 Financial Assets		1986 Total Other[3] Debt	
		Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
35-44	598	$57,553	64% (n=487)	$47,639	93% (579)	$9,175	96% (589)	$12,119	73% (541)	$2,431
45-54	521	91,686	77 (458)	67,600	91 (496)	13,186	91 (505)	19,934	64 (447)	2,028
55-64	497	115,313	75 (432)	79,772	90 (469)	12,798	90 (478)	24,336	54 (357)	1,352
65-74	441	88,962	82 (397)	63,313	82 (395)	8,125	94 (422)	18,168	29 (206)	702
75-84	189	67,600	69 (157)	60,840	71 (154)	2,434	89 (177)	14,588	22 (59)	541
65+	669	78,315	76 (578)	60,840	77 (574)	5,884	92 (635)	14,965	26 (274)	702
75+	228	58,920	68 (181)	55,916	68 (179)	2,028	88 (213)	14,588	20 (68)	541
85+	39	27,267	61 (25)	33,800	57 (25)	1,568	86 (36)	7,589	14 (9)	*

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets includes the proceeds that would be realized on the sale of real estate (other than the main family home), vehicles, and family farms or businesses after paying off any loans still owed.

[3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1986 Survey of Consumer Finances.

Table 45
Household Assets and Median Holdings for Households with the Asset by Age of Head of Household: 1989
(in 1994 dollars)

Age of HH	Sample Size	1989 Total Net[1] Assets	1989 Home Equity		1989 Net Value[2] of Other Real Assets		1989 Financial Assets		1989 Total Other[3] Debt	
		Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
35-44	3,425	$60,969	66% (n=2,570)	$51,385	93% (3,244)	$6,154	90% (3,181)	$16,730	57% (1,787)	$1,554
45-54	3,070	102,232	77 (2,615)	72,895	93 (2,925)	8,604	91 (2,911)	20,196	57 (1,520)	2,032
55-64	2,845	103,105	80 (2,489)	71,700	88 (2,674)	8,365	88 (2,656)	26,075	42 (458)	2,151
65-74	2,245	78,870	77 (1,925)	59,750	86 (2,050)	5,975	91 (2,120)	20,315	31 (626)	753
75-84	1,185	87,235	70 (912)	59,750	75 (961)	4,780	92 (1,111)	33,460	16 (230)	837
65+	3,650	78,607	73 (2,987)	59,750	81 (3,164)	5,115	91 (3,431)	25,095	24 (873)	753
75+	1,405	77,854	69 (1,062)	59,750	74 (1,114)	4,780	91 (1,311)	30,747	14 (247)	837
85+	220	48,517	60 (150)	53,775	68 (153)	4,422	90 (200)	20,315	5 (17)	1,195

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security Income.

[2] Other Real Assets Includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses.

[3] Total Other Debt includes credit card debt, Installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

Source: Lewin-VHI estimates from the 1989 Survey of Consumer Finances.

Table 46
Household Assets and Median Holdings for Households with the Asset by Age of Head of Household: 1992
(in 1994 dollars)

Age of HH	Sample Size	1992 Total Net[1,4] Assets	1992 Home Equity		1992 Net Value[2,4] of Other Real Assets		1992 Financial Assets		1992 Total Other[3] Debt	
		Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
35-44	832	$43,106	65% (n=576)	$40,128	94% (790)	$5,597	91% (773)	$11,827	57% (455)	$1,901
45-54	775	98,704	76 (648)	58,080	95 (750)	8,280	94 (746)	25,133	55 (383)	2,376
55-64	590	121,905	78 (507)	73,920	92 (563)	9,398	93 (568)	47,499	48 (226)	2,112
65-74	576	100,605	79 (488)	68,640	88 (528)	6,019	93 (547)	31,891	36 (188)	1,056
75-84	266	95,947	78 (216)	73,920	81 (230)	5,544	94 (254)	27,773	23 (58)	739
65+	907	96,328	78 (753)	72,864	84 (807)	5,702	93 (862)	27,773	30 (257)	887
75+	331	91,872	77 (265)	73,920	77 (279)	5,174	93 (315)	22,493	23 (69)	655
85+	65	59,590	70 (49)	63,360	62 (49)	2,746	88 (61)	8,913	21 (11)	318

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses.

[3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

[4] These estimates do not include investment real estate holdings. Values for investment real estate are expected to be available for public use by November 1995.

Source: Lewin-VHI estimates from the 1992 Survey of Consumer Finances.

Table 47
Household Assets and Median Holdings for Households with the Asset by Marital Status: 1983
(in 1994 dollars)

Marital Status	Sample Size	Mean Age of HH	1983 Total Net[1] Assets	1983 Home Equity		1983 Net Value[2] of Other Real Assets		1983 Financial Assets		1983 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
Married	467	72	$99,209	83% (n=403)	$66,960	88% (423)	$7,812	92% (437)	$26,692	23% (99)	$595
Single Male	69	75	58,334	66 (48)	56,544	88 (61)	3,983	88 (61)	18,350	14 (13)	559
Single Female	280	74	49,189	68 (193)	52,080	51 (146)	5,803	86 (242)	10,179	17 (43)	414
The Non-Elderly (Aged 35-64)											
Married	1,603	48	$97,989	81% (1,354)	$71,320	96% (1,594)	$9,737	94% (1,520)	$15,024	61% (942)	$1,711
Single Male	172	49	39,343	52 (97)	46,043	82 (144)	5,788	86 (152)	9,016	45 (78)	1562
Single Female	355	49	33,596	57 (206)	52,296	79 (278)	3,683	85 (298)	5,357	57 (198)	973

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets Includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses.

[3] Total Other Debt Includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

Source: Lewin-VHI estimates from the 1983 Survey of Consumer Finances.

Table 48
Household Assets and Median Holdings for Households with the Asset by Marital Status: 1986
(in 1994 dollars)

Marital Status	Sample Size	Mean Age of HH	1986 Total Net[1] Assets	1986 Home Equity		1986 Net Value[2] of Other Real Assets		1986 Financial Assets		1986 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
Married	394	72	$107,289	86% (n=374)	$67,600	90% (382)	$9,134	97% (385)	$27,040	29% (187)	$702
Single Male	50	76	20,422	61 (39)	54,080	86 (47)	2,163	88 (47)	7,706	35 (18)	1,082
Single Female	225	76	48,613	67 (165)	54,080	57 (145)	3,549	86 (203)	9,329	19 (69)	422
The Non-Elderly (Aged 35-64)											
Married	1,173	48	$111,893	82% (1,087)	$67,600	97% (1,163)	$14,507	95% (1,158)	$22,984	68% (993)	$2,160
Single Male	146	48	34,268	47 (100)	56,807	85 (133)	8,112	88 (142)	14,076	51 (114)	3,515
Single Female	297	49	29,217	52 (190)	56,877	79 (248)	5,243	88 (272)	6,133	62 (238)	1,088

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets includes the proceeds that would be realized on the sale of real estate (other than the main family home), vehicles, and family farms or businesses after paying off any loans still owed.

[3] Total Other Debt Includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

Source: Lewin-VHI estimates from the 1986 Survey of Consumer Finances.

Table 49
Household Assets and Median Holdings for Households with the Asset by Marital Status: 1989
(in 1994 dollars)

Marital Status	Sample Size	Mean Age of HH	1989 Total Net[1] Assets	1989 Home Equity		1989 Net Value[2] of Other Real Assets		1989 Financial Assets		1989 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
Married	2,095	73	$128,881	89% (n=1,962)	$71,700	98% (2,070)	$8,365	95% (2,045)	$40,033	25% (539)	$1,362
Single Male	305	73	17,925	43 (165)	28,680	85 (275)	2,390	90 (280)	7,588	20 (61)	753
Single Female	1,250	74	52,580	64 (860)	53,775	63 (819)	3,585	88 (1,106)	15,595	23 (273)	609
The Non-Elderly (Aged 35-64)											
Married	6,945	47	$116,142	86% (6,280)	$66,920	97% (6,814)	$9,560	96% (6,774)	$23,422	59% (3,467)	$2,151
Single Male	905	47	30,114	52 (584)	46,605	83 (796)	4,780	83 (786)	14,340	35 (333)	1,195
Single Female	1,490	49	19,957	48 (810)	59,750	80 (1,233)	3,513	76 (1,188)	8,724	45 (660)	1,195

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets includes the proceeds that would be realized on the sale of real estate (other than the main family home), vehicles, and family farms or businesses after paying off any loans still owed.

[3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

Source: Lewin-VHI estimates from the 1989 Survey of Consumer Finances.

Table 50
Household Assets and Median Holdings for Households with the Asset by Marital Status: 1992 (in 1994 dollars)

Marital Status	Sample Size	Mean Age of HH	1992 Total Net[1,4] Assets	1992 Home Equity		1992 Net Value[2,4] of Other Real Assets		1992 Financial Assets		1992 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
Married	520	73	$179,520	90% (n=477)	$81,312	97% (510)	$9,187	97% (512)	$57,024	31% (141)	$1,056
Single Male	100	74	80,689	69 (74)	68,640	85 (87)	4,541	88 (91)	10,349	30 (32)	739
Single Female	287	75	49,421	68 (202)	58,080	69 (210)	3,274	90 (259)	12,809	30 (84)	845
The Non-Elderly (Aged 35-64)											
Married	1,578	48	$109,824	83% (1,380)	$58,080	98% (1,555)	$9,504	96% (1,540)	$32,155	58% (787)	$2,218
Single Male	261	47	38,650	45 (137)	47,520	90 (240)	4,963	85 (230)	9,504	41 (102)	2,429
Single Female	358	48	21,437	58 (214)	42,029	85 (308)	2,534	87 (317)	8,448	51 (175)	1,487

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets includes the proceeds that would be realized on the sale of real estate (other than the main family home), vehicles, and family farms or businesses after paying off any loans still owed.

[3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

[4] These estimates do not include investment real estate holdings. Values for investment real estate are expected to be available for public use by November 1995.

Source: Lewin-VHI estimates from the 1992 Survey of Consumer Finances.

Table 51
Household Assets and Median Holdings for Households with the Asset by Race: 1983
(in 1994 dollars)

Race	Sample Size	Mean Age of HH	1983 Total Net[1] Assets	1983 Home Equity		1983 Net Value[2] of Other Real Assets		1983 Financial Assets		1983 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
Non-Black	736	73	$89,598	77% (n=592)	$59,520	77% (592)	$7,105	94% (698)	$21,668	17% (121)	$470
Black	80	74	13,392	64 (52)	22,320	48 (38)	2,351	52 (42)	1,488	43 (34)	429
The Non-Elderly (Aged 35-64)											
Non-Black	1,898	48	$91,902	77% (1,527)	$71,079	94% (1,807)	$8,662	94% (1,803)	$13,690	59% (1,075)	$1,488
Black	232	49	21,231	54 (130)	36,350	70 (164)	4,985	73 (167)	2,380	61 (143)	1,436

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses.

[3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

Source: Lewin-VHI estimates from the 1983 Survey of Consumer Finances.

Table 52
Household Assets and Median Holdings for Households with the Asset by Race: 1986
(in 1994 dollars)

Race	Sample Size	Mean Age of HH	1986 Total Net[1] Assets	1986 Home Equity		1986 Net Value[2] of Other Real Assets		1986 Financial Assets		1986 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
Non-Black	610	74	$89,942	77% (n=533)	$67,600	78% (537)	$7,291	96% (598)	$22,934	24% (240)	$676
Black	59	75	20,280	70 (45)	33,800	66 (37)	2,670	65 (37)	1,105	35 (34)	773
The Non-Elderly (Aged 35-64)											
Non-Black	1,465	48	$97,107	75% (1,276)	$69,490	94% (1,424)	$12,767	97% (1,447)	$18,044	65% (1,217)	$2,028
Black	151	49	17,540	46 (101)	39,825	76 (120)	4,056	66 (125)	3,380	64 (128)	1,352

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses.

[3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

Source: Lewin-VHI estimates from the 1986 Survey of Consumer Finances.

Table 53
Household Assets and Median Holdings for Households with the Asset by Race: 1989
(in 1994 dollars)

Race	Sample Size	Mean Age of HH	1989 Total Net[1] Assets	1989 Home Equity		1989 Net Value[2] of Other Real Assets		1989 Financial Assets		1989 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
Non-Black	3,334	74	$97,130	76% (n=2791)	$60,945	84% (2,958)	$5,975	95% (3,235)	$28,800	21% (747)	$956
Black	316	73	10,612	53 (196)	46,605	62 (206)	2,390	61 (196)	837	44 (126)	717
The Non-Elderly (Aged 35-64)											
Non-Black	8,458	47	$95,122	77% (7,222)	$66,920	95% (8,172)	$8,365	94% (8,149)	$21,152	55% (4,097)	$1,793
Black	882	49	8,401	48 (453)	35,850	69 (671)	1,864	63 (599)	4,995	38 (363)	1,195

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses.

[3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

Source: Lewin-VHI estimates from the 1989 Survey of Consumer Finances.

Table 54
Household Assets and Median Holdings for Households with the Asset by Race: 1992
(in 1994 dollars)

Race	Sample Size	Mean Age of HH	1992 Total Net[1,4] Assets	1992 Home Equity		1992 Net Value[2,4] of Other Real Assets		1992 Financial Assets		1992 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
Non-Black	841	74	$110,774	80% (n=709)	$73,920	85% (760)	$5,808	95% (814)	$31,458	28% (224)	$845
Black	66	74	29,621	61 (44)	36,960	66 (47)	3,675	70 (48)	2,429	51 (33)	1,267
The Non-Elderly (Aged 35-64)											
Non-Black	2,001	48	$86,476	75% (1,628)	$55,968	96% (1,943)	$8,163	93% (1,921)	$23,971	54% (956)	$2,218
Black	196	45	15,470	48 (103)	36,960	79 (160)	3,305	83 (166)	4,752	51 (108)	1,426

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

[2] Other Real Assets includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses.

[3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

[4] These estimates do not include investment real estate holdings. Values for investment real estate are expected to be available for public use by November 1995.

Source: Lewin-VHI estimates from the 1992 Survey of Consumer Finances.

Table 55
Household Assets and Median Holdings for Households with the Asset by Income Level: 1983 (in 1994 dollars)

1982 Income Level[1]	Sample Size	Mean Age of HH	1983 Total Net[1] Assets	1983 Home Equity		1983 Net Value[2] of Other Real Assets		1983 Financial Assets		1983 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
$0 - $9,999	214	75	$15,200	59% (n=130)	$34,200	42% (91)	$1,568	73% (156)	$1,589	18% (38)	$427
$10,000 - $19,999	202	73	63,323	75 (155)	53,568	75 (154)	4,352	91 (187)	13,218	21 (43)	442
$20,000 - $29,999	118	71	130,718	88 (104)	66,960	92 (110)	8,258	99 (117)	28,272	20 (22)	298
$30,000 - $49,999	83	72	199,282	83 (69)	71,931	95 (79)	13,234	97 (81)	72,284	24 (18)	1,309
$50,000+	199	70	631,613	92 (186)	121,771	99 (196)	49,245	100 (199)	231,749	18 (34)	2,976
The Non-Elderly (Aged 35-64)											
$0 - $9,999	174	50	$4,620	44% (77)	$34,751	55% (95)	$2,647	59% (102)	$1,036	35% (63)	$863
$10,000 - $19,999	234	51	20,014	52 (122)	47,034	81 (190)	2,915	77 (178)	2,976	42 (98)	1,042
$20,000 - $29,999	278	48	47,213	67 (191)	47,616	94 (263)	4,137	92 (257)	4,021	58 (162)	1,152
$30,000 - $49,999	493	48	76,169	78 (392)	59,520	97 (481)	7,375	98 (484)	9,360	67 (331)	1,414
$50,000+	949	48	171,909	89 (873)	89,280	99 (940)	21,688	100 (947)	36,404	65 (562)	2,381

[1] Income and asset estimates include income and assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income. [2] Other Real Assets includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses. [3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

Source: Lewin-VHI estimates from the 1983 Survey of Consumer Finances.

Table 56
Household Assets and Median Holdings for Households with the Asset by Income Level: 1986
(in 1994 dollars)

1985 Income Level[1]	Sample Size	Mean Age of HH	1986 Total Net[1] Assets	1986 Home Equity		1986 Net Value[2] of Other Real Assets		1986 Financial Assets		1986 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
$0 - $9,999	149	76	$16,570	59% (n=98)	$30,611	55% (87)	$1,122	75% (118)	$2,028	23% (58)	$493
$10,000 - $19,999	154	74	56,122	77 (136)	47,320	79 (131)	3,211	97 (152)	12,168	29 (71)	930
$20,000 - $29,999	98	73	152,776	89 (92)	67,600	88 (93)	12,607	100 (98)	43,940	30 (38)	1,474
$30,000 - $49,999	70	73	176,570	81 (62)	68,369	91 (67)	13,520	99 (69)	80,360	23 (26)	575
$50,000+	198	72	676,955	93 (190)	135,200	95 (196)	85,187	100 (198)	231,880	21 (81)	676
The Non-Elderly (Aged 35-64)											
$0 - $9,999	124	53	$9,545	45% (71)	$37,180	54% (81)	$2,252	66% (99)	$608	33% (86)	$676
$10,000 - $19,999	142	50	31,349	57 (103)	39,825	84 (129)	4,228	85 (131)	2,947	55 (115)	1,202
$20,000 - $29,999	186	48	35,570	60 (141)	43,943	97 (181)	5,823	92 (180)	7,840	67 (151)	1,082
$30,000 - $49,999	412	47	67,513	72 (352)	60,840	94 (406)	7,856	95 (410)	14,096	70 (367)	2,028
$50,000+	750	47	186,072	85 (708)	90,568	99 (745)	26,943	100 (750)	44,519	71 (624)	3,472

[1] Income and asset estimates include income and assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income. [2] Other Real Assets includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses. [3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

Source: Lewin-VHI estimates from the 1986 Survey of Consumer Finances.

Table 57
Household Assets and Median Holdings for Households with the Asset by Income Level: 1989
(in 1994 dollars)

1988 Income Level[1]	Sample Size	Mean Age of HH	1989 Total Net[1] Assets	1989 Home Equity		1989 Net Value[2] of Other Real Assets		1989 Financial Assets		1989 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
$0 - $9,999	600	75	$9,895	50% (n=333)	$27,485	53% (325)	$2,390	73% (432)	$2,151	25% (148)	$609
$10,000 - $19,999	853	73	63,335	70 (628)	59,750	82 (710)	3,585	95 (812)	15,535	25 (208)	1,207
$20,000 - $29,999	537	73	106,355	86 (483)	59,750	95 (511)	4,780	95 (527)	32,528	26 (147)	693
$30,000 - $49,999	458	73	204,345	87 (412)	83,650	94 (438)	8,365	100 (458)	82,455	16 (67)	478
$50,000+	1,202	73	485,170	89 (1,131)	179,250	94 (1,180)	25,095	100 (1,202)	276,332	22 (303)	2,390
The Non-Elderly (Aged 35-64)											
$0 - $9,999	633	51	$1,052	31% (220)	$23,900	63% (426)	$1,171	45% (312)	$1,111	19% (129)	$598
$10,000 - $19,999	696	49	19,121	53 (394)	40,630	84 (601)	4,457	78 (551)	2,749	31 (229)	1,793
$20,000 - $29,999	731	47	30,114	60 (500)	47,800	91 (677)	4,684	89 (656)	4,780	48 (350)	1,076
$30,000 - $49,999	1,692	48	68,987	77 (1,350)	56,165	96 (1,620)	7,170	98 (1,654)	15,296	62 (1,013)	1,195
$50,000+	5,588	46	162,879	90 (5,210)	82,455	98 (5,519)	14,221	100 (5,575)	41,825	63 (2,739)	2,629

[1] Income and asset estimates include income and assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income. [2] Other Real Assets includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses. [3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses.

Source: Lewin-VHI estimates from the 1989 Survey of Consumer Finances.

Table 58
Household Assets and Median Holdings for Households with the Asset by Income Level: 1992
(in 1994 dollars)

1991 Income Level[1]	Sample Size	Mean Age of HH	1992 Total Net[1,4] Assets	1992 Home Equity		1992 Net Value[2,4] of Other Real Assets		1992 Financial Assets		1992 Total Other[3] Debt	
			Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount	Percent with Assets	Median Amount
The Elderly (Aged 65+)											
$0 - $9,999	144	76	$25,978	59% (n=82)	$36,960	56% (80)	$2,957	80% (113)	$3,696	26% (40)	$591
$10,000 - $19,999	177	74	74,965	75 (134)	59,400	90 (159)	3,590	95 (168)	11,827	38 (66)	739
$20,000 - $29,999	92	73	123,235	92 (86)	72,864	96 (89)	6,230	99 (91)	40,656	31 (31)	919
$30,000 - $49,999	100	74	237,178	89 (87)	89,760	95 (95)	10,138	98 (98)	81,312	31 (30)	1,269
$50,000+	393	73	503,078	93 (363)	137,280	95 (383)	16,579	98 (391)	269,069	20 (89)	3,168
The Non-Elderly (Aged 35-64)											
$0 - $9,999	162	49	$2,988	35% (56)	$35,904	69% (112)	$1,531	67% (110)	$1,056	30% (50)	$845
$10,000 - $19,999	210	49	19,325	59 (118)	33,792	92 (193)	3,379	81 (169)	3,907	48 (101)	1,056
$20,000 - $29,999	206	47	41,712	64 (129)	40,128	97 (199)	3,907	92 (192)	5,280	56 (115)	1,478
$30,000 - $49,999	349	47	61,670	74 (254)	38,016	98 (341)	6,125	99 (347)	16,157	68 (230)	2,429
$50,000+	1,263	48	189,552	89 (1,167)	79,200	99 (1,251)	14,150	100 (1,262)	67,911	55 (564)	2,957

[1] Income and asset estimates include income and assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income. [2] Other Real Assets includes the profit that would be realized on the sale of real estate other than the main family home, vehicles, and family farms or businesses. [3] Total Other Debt includes credit card debt, installment loans on consumer durables, and other loans (excluding home mortgages, loans on other real estate, loans on vehicles, and loans for family farms or businesses. [4] These estimates do not include investment real estate holdings. Values for investment real estate are expected to be available for public use by November 1995.

Source: Lewin-VHI estimates from the 1992 Survey of Consumer Finances.

Table 59
Household Asset Distribution by Age of Head of Household: 1983[1]
(in 1994 Dollars)

Age of Head of Household	Sample Size	<$25,000	$25,000-$49,999	$50,000-$99,999	$100,000-$199,999	$200,000+
35 - 44	777	31% (n=220)	14% (99)	19% (140)	20% (147)	16% (171)
45 - 54	680	23 (130)	11 (63)	23 (136)	23 (130)	20 (221)
55 - 64	673	21 (114)	10 (57)	18 (103)	19 (106)	32 (293)
65 - 74	527	23 (97)	11 (50)	21 (92)	18 (82)	27 (206)
75 - 84	249	35 (79)	11 (26)	20 (46)	16 (36)	18 (62)
65+	816	28 (193)	11 (80)	20 (141)	17 (123)	24 (279)
75+	289	37 (96)	11 (30)	18 (49)	16 (41)	18 (73)
85+	40	50 (17)	* (4)	* (3)	* (5)	* (11)

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

Source: Lewin-VHI estimates from the 1983 Survey of Consumer Finances.

Table 60
Household Asset Distribution by Age of Head of Household: 1986[1]
(in 1994 Dollars)

Age of Head of Household	Sample Size	<$25,000	$25,000-$49,999	$50,000-$99,999	$100,000-$199,999	$200,000+
35 - 44	598	30% (n=126)	17% (86)	18% (114)	20% (120)	16% (152)
45 - 54	521	20 (70)	14 (64)	18 (91)	23 (104)	24 (192)
55 - 64	497	24 (71)	9 (35)	15 (64)	19 (78)	34 (249)
65 - 74	441	23 (66)	10 (36)	21 (69)	16 (58)	30 (212)
75 - 84	189	35 (48)	7 (14)	19 (31)	15 (31)	24 (65)
65+	669	29 (129)	10 (59)	19 (101)	16 (94)	27 (286)
75+	228	38 (63)	11 (23)	15 (32)	14 (36)	22 (74)
85+	39	* (15)	* (9)	* (1)	* (5)	* (9)

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[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

Source: Lewin-VHI estimates from the 1986 Survey of Consumer Finances.

Table 61
Household Asset Distribution by Age of Head of Household: 1989[1] (in 1994 Dollars)

Age of Head of Household	Sample Size	<$25,000	$25,000-$49,999	$50,000-$99,999	$100,000-$199,999	$200,000+
35 - 44	3,425	33% (n=836)	11% (317)	19% (518)	19% (564)	18% (1,190)
45 - 54	3,070	24 (466)	13 (229)	12 (254)	23 (433)	28 (1,688)
55 - 64	2,845	26 (401)	8 (143)	14 (270)	25 (441)	27 (1,590)
65 - 74	2,245	26 (357)	11 (166)	19 (287)	19 (297)	26 (1,138)
75 - 84	1,185	28 (234)	9 (86)	16 (160)	21 (215)	26 (490)
65+	3,650	27 (644)	11 (276)	18 (473)	19 (541)	26 (1,716)
75+	1,405	29 (287)	11 (110)	16 (186)	19 (244)	26 (578)
85+	220	30 (53)	20 (24)	15 (26)	10 (29)	25 (88)

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

Source: Lewin-VHI estimates from the 1989 Survey of Consumer Finances.

Table 62
Household Asset Distribution by Age of Head of Household: 1992[1]
(in 1994 Dollars)

Age of Head of Household	Sample Size	<$25,000	$25,000-$49,999	$50,000-$99,999	$100,000-$199,999	$200,000+
35 - 44	832	38% (n=257)	14% (92)	17% (119)	14% (109)	16% (255)
45 - 54	775	27 (137)	10 (48)	14 (75)	19 (101)	30 (414)
55 - 64	590	23 (91)	6 (21)	14 (44)	22 (77)	35 (357)
65 - 74	576	21 (85)	14 (49)	15 (51)	19 (76)	32 (315)
75 - 84	266	20 (43)	12 (22)	19 (31)	20 (40)	29 (130)
65+	907	21 (141)	14 (77)	17 (90)	19 (124)	30 (475)
75+	331	21 (56)	13 (28)	19 (39)	20 (48)	27 (160)
85+	65	* (13)	* (6)	* (8)	* (8)	16 (30)

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income. These (1992) estimates do not Include investment real estate holdings. Values for investment real estate are expected to be available for public use by November 1995.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1992 Survey of Consumer Finances.

Table 63
Median Household Asset Levels by Age of Head of Household: 1983-1986[1]
(in 1994 dollars)

Age of Head of Household In 1983	1983 Sample Size	1983 Median Total Net Assets	Cohort's Median Total Net Assets in 1986	Change in Median Total Net Assets from 1983 to 1986
35 - 44	571	$64,932	$76,127	$11,195
45 - 54	486	89,503	104,192	14,689
55 - 64	492	94,213	103,567	9,354
65 - 74	368	84,649	86,135	1,486
75 - 84	133	44,133	39,672	<4,461>
65+	519	73,787	73,495	<292>
75+	151	44,133	38,532	<5,601>
85+	18	44,514	27,267	<17,247>

[1] Asset estimates include assets of the head of household, spouse, and other household members. Estimates do not include the value of pension annuities nor the present value of future Social Security income.

* Not reported due to small sample size.

Source: Lewin-VHI estimates from the 1986 Survey of Consumer Finances.

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